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Auditor General
of British Columbia

**Management
Consulting Engagements
in Government**

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OFFICE OF THE
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The Honourable Bill Hartley
Speaker of the Legislative Assembly
Province of British Columbia
Parliament Buildings
Victoria, British Columbia
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Sir:

I have the honour to transmit herewith to the Legislative Assembly of British Columbia my 2000/01 Report 4: Management Consulting Engagements in Government.

Wayne Strelieff

Wayne Strelieff, CA
Auditor General

Victoria, British Columbia
March 2001

copy: Mr. E. George MacMinn, Q.C.
Clerk of the Legislative Assembly

table of contents

Auditor General's Comments	1
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Highlights

Audit Purpose and Scope	6
Audit Approach	7
Overall Conclusion	8
Key Findings	9
Summary of Recommendations	15

Detailed Report

What Is Management Consulting and How Extensive is its Use by Government? ...	19
Is the Process of Awarding Management Consulting Contracts Fair and Open? ...	23
Are Management Consulting Engagements Providing Value?	35

Ministry Response	51
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Appendices

A Management Consulting Contracts Reviewed in this Audit	67
B Office of the Auditor General: 2000/01 Reports Issued to Date	69
C Office of the Auditor General: Performance Auditing Objectives and Methodology	70

auditor general's comments



This, my fourth report to the Legislative Assembly for the 2000/01 year, contains the results of my Office's audit of management consultant engagements in the British Columbia government ministries.

To achieve its objectives, the provincial government sometimes engages management consultants to provide advice. Each year, the British Columbia government ministries spend about \$15 million on advisory service contracts. The outcomes of these engagements are various, including improvements in existing programs, such as cost savings or better service delivery, or the creation of new government programs to meet identified needs. Often the impact—in economic and social terms—can be many times more significant than the monetary value of the contracts. For example, in one case we noted, consultant advice contributed to the continued support of a government program with expenditures in the hundreds of millions of dollars. In another case, the advice led to a multi-million dollar investment in a troubled corporation.

When it comes to the use of management consultants, the public expects government to ensure that it receives value for money from the engagements and to award contracts using a fair and open process. To this end, government is expected to award the majority of its contracts using a competitive process. Competition allows all qualified consultants a reasonable opportunity to bid on contracts and helps government attain the best value available.

I was pleased to see that the majority of management consulting engagements we examined had resulted in government receiving value for money. Nevertheless, a number of improvements are needed to better ensure that value is attained. In some situations we examined, a consultant should not have been engaged at all, because the ministries were not in a position to act on the ensuing advice. In other situations, a consultant was needed, but was engaged in a manner that neither provided the value expected nor met the government's own principles of fair

and open process. I was particularly disappointed to observe that many contracts had been awarded directly rather than through a competitive process. Not allowing all qualified consultants an opportunity to bid on government contracts clearly violates government's policy of fairness.

I encourage government to implement the recommendations I make in this report so that fairness in process and value in results can be better assured.

In closing, I wish to acknowledge and thank all those who assisted and cooperated with my Office during the course of our work, including staff from the Ministry of Advanced Education, Training and Technology, the Ministry for Children and Families, the Ministry of Employment and Investment, the Ministry of Forests, the Ministry of Health, the Office of the Comptroller General, and the Purchasing Commission, as well as the many management consultants we interviewed.

Wayne Strelieff

Wayne K. Strelieff, CA
Auditor General

Victoria, British Columbia
March 2001



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management consulting
engagements
in government



highlights

An audit of management consulting engagements in government

The British Columbia government ministries spent about \$46 million over the last three years on advisory services. This suggests that government frequently uses management consultants to assist it in its decision-making. The impact of a consulting project can be many times more significant than the size of the contract used to engage the consultant. Consultants may, for example, provide advice that affects programs with expenditures in the hundreds of millions of dollars or that have significant social and economic impacts.

For the purpose of our audit, we used the following definition of management consulting:

Management consulting is an advisory service contracted for and provided to organizations by specially trained and qualified persons who assist, in an objective and independent manner, the client organization to identify management problems, analyze such problems, recommend solutions to these problems, and help, when requested, in the implementation of solutions.¹

This definition provides a good basis for defining management consulting. However, for our audit purposes, we expanded the definition to include consulting engagements that did not necessarily involve identifying management problems. Assessments, feasibility studies and compensation evaluations are all examples of management consulting that may not involve problem identification.

When government engages management consultants, the public expects that (1) the contracts will be awarded fairly and (2) the engagements will result in value for money. Both of these objectives are important and are reflected in the government's contracting policies, which state that government should seek to ensure that its contracts provide potential contractors with fair access to government business, are undertaken in an open, ethical and prudent manner and provide the best value for money.

¹Greiner, Larry E. and Robert O. Metzger. *Consulting to Management*. New Jersey: Prentice-Hall, Inc., 1983.

To ensure fair access, government is expected to award the majority of its contracts using an open and equitable process. To ensure it receives value for money from its management consulting engagements, government must:

- accurately identify and document the need for a project and for a consultant to complete it;
- select a consultant who can provide the required services at a reasonable cost;
- establish a contract with clear terms;
- manage the contract so that the deliverables are provided on time and to the satisfaction of the ministry;
- carefully consider the advice or information provided by the consultant; and
- act on this advice or use the information.

Audit Purpose and Scope

The purpose of this audit was to determine to what extent the government in British Columbia is receiving value for money from its management consulting engagements and whether government is awarding these contracts in a fair and open manner.

We set out to answer the following four key questions:

- Were the management consulting contracts awarded in a fair and open manner?
- Did the results of the engagements meet the need originally identified?
- Were the results of the management consulting engagements used?
- Could management demonstrate that the benefits of the management consulting engagements outweighed the costs?

The audit was limited to management consulting contracts within ministries. It did not consider those contracts awarded by Crown corporations or other government agencies, which are not subject to the same policies and procedures as the ministries. Information technology consulting was also not included. We did not perform a comprehensive review of the legal aspects of contracting for management consulting services (for example, contract language and enforceability).

We focused only on the actions of government officials as they entered into and administered these management consulting contracts, and we did not audit the consultants, and we make no comment on their actions.

Audit Approach

Our audit covered a sample of management consulting engagements across five ministries. We initially intended to take a statistical sample of such contracts across government. However, the nature of the information maintained in the ministries made this impracticable. There is no central contract management system for government. In fact, every ministry has its own system and each varies from the next in terms of the type of information collected. For this reason, and because ministry contract management systems do not differentiate between management consulting contracts and other professional service contracts, it was impossible to determine the population size from which to draw a statistically representative sample.

Instead, we concentrated our sampling on the five ministries with the largest expenditures in management advisory services: Ministry for Children and Families; Ministry of Health; Ministry of Forests; Ministry of Advanced Education, Training and Technology; and Ministry of Employment and Investment. Based on the limited information we had, we believe that this allowed us to cover about two-thirds of total expenditures on consulting services within ministries and gave us a good cross-section of government activities.

From each of these ministries, we obtained a list of all management consulting engagements of \$25,000 or greater that were completed over the last three fiscal years (1997/98, 1998/99 and 1999/2000) and used these to select a sample of 37 separate engagements. The first 25 were randomly selected (5 from each ministry) and the remaining 12 were specifically chosen to ensure coverage of certain areas of interest, such as competitively awarded contracts versus direct awards. As our findings for the last 12 management consulting contracts were consistent with our findings for the randomly selected contracts, we combined the findings and conclusions for both sample types in our report.

Because ours was a selected sample, the results cannot be generalized statistically to the broader population of similar management consulting contracts. However, the contracts were not chosen in a manner that would have led to the sample being unrepresentative of the practices used in

managing such contracts in government, and we believe that our recommendations are likely applicable to all ministries. As well, although the audit focused on management consulting engagements, we believe that many of the findings are applicable to all types of service contracts since they are guided by the same government policies.

For each of the engagements we selected, we reviewed all relevant documentation and interviewed the key personnel involved in managing the engagement and implementing the recommendations. In addition, we interviewed many of the management consultants, including those who completed the work and a selection of the unsuccessful proponents.

Many case studies and examples are presented in this audit. They have been selected to illustrate different types of problems or successes that we observed. They are not intended to be representative of the contracting practices in the ministries from which they were drawn.

The findings and conclusions included in this report are based on evidence available up to October 31, 2000. In preparing our report, we discussed our findings and conclusions with the five ministries we audited, as well as with the Purchasing Commission and the Office of the Comptroller General.

Our audit was performed in accordance with standards for assurance engagements recommended by the Canadian Institute of Chartered Accountants and accordingly included such tests and other procedures we considered necessary in the circumstances.

Overall Conclusion

Overall, we concluded that the ministries are receiving value for money from the majority (about 74%) of the management consulting contracts we could conclude on. In the other 26%, value for money was not received. In these situations, inadequate planning, inappropriate contractor selection, poor contract management or a combination of these factors usually accounted for the results. We also concluded that in most cases the ministries lack action plans with which to ensure that consultant recommendations are acted upon and not lost or forgotten.

All of the ministries we reviewed, with the exception of the Ministry of Forests, usually award their management consulting contracts directly and not in an open and fair manner. Direct awards are contrary to government's principle

of fair and open competition and make it almost impossible to ensure that management consulting engagements are being awarded in a manner that ensures best value. Although there are legitimate reasons for direct awarding, most of those we reviewed were not justifiable. Because direct awards are easier to initiate, managers have generally opted for efficiency rather than fairness and openness.

At the same time, since the \$25,000 threshold and the exceptions to competitive award policies have not been reviewed for several years, it is not clear that these policies currently lead to the best value or represent the best balance between fairness and efficiency.

Key Findings

Four of the five ministries reviewed are not awarding the majority of their management consulting contracts in a fair and open manner

Competitively awarding contracts promotes the principle of fairness. Government policies have been created to ensure that ministry staff treat contractors fairly and award contracts in an open manner. The competitive process also helps to ensure that the engagements will provide the best value for money.

Awarding Management Consulting Contracts

Most of the ministries we reviewed frequently award management consulting contracts directly to a consultant without holding a competition. In the original random sample of contracts we selected, we found that only 24% were competitively awarded. The Ministry of Forests was the only ministry that appeared to regularly award management consulting contracts through competitions (having competitively awarded four of the five contracts we reviewed).

When ministries did choose to competitively award a management consulting contract, they usually did so through a select bidding process rather than an open bidding process. We found that 47% of competitively awarded management consulting contracts were awarded using a bidders' list, and 20% were awarded using an open bidding process. The process for the remaining 33% could not be determined because of a lack of available documentation. Contract managers usually invited a select group of consultants to bid by considering those they knew would be qualified and by asking staff for suggestions. Although we support

the use of a bidders' list, we would prefer to see this list created in such a way that all interested and qualified consultants have an opportunity to be included on it.

We have serious concerns about the 33% of competitively awarded management consulting contracts in our sample that were missing key documentation such as the Request for Proposal, consultant proposals, and proposal evaluation information. This suggests poor file management and non-compliance with government policy. Documentation is an important part of all activities carried out by government. By having adequate records, government can be accountable for what it has done and can show how decisions were made.

Management reasons for direct awarding management consulting contracts

Ministries do not always follow some of the key government policies. Government policy has been established by Treasury Board to guide ministries in managing and administering contracts and to ensure that contracts over \$25,000 are awarded in a fair and open manner. Ministries are required to seek proposals from potential contractors for all contracts over \$25,000. At the time of our audit, there were only three exceptions to this policy: 1) in cases of emergency; 2) where confidentiality would be compromised; or 3) where only one contractor is qualified to perform the services.

We found that management consulting contracts are usually direct awarded for reasons other than these allowed exceptions. In fact, only 7 of the 22 direct award contracts we reviewed (32%) met government policy for direct awarding. Management has other reasons for direct awarding, most of which have more to do with expediency and minimizing risk than with following government policy. We found that 59% of the direct award contracts were awarded in this manner because ministries wanted to minimize risk by choosing consultants who had worked in the ministry or program area before and had knowledge in the area or had a good reputation. For the other 9% of contracts, expediency was used as management's reason for direct awarding a contract. In these cases, contract managers reported that the competitive process is too time consuming. For example, it takes about two months to complete an average Request for Proposal process. In contrast, a direct award contract can be awarded in as little as a day.

Achieving fairness and efficiency in awarding management consulting contracts

If there were no contracting policies, managers would be required to consider different objectives when deciding how to award a contract: administrative efficiency and fairness. Administrative efficiency is achieved through direct awards. Awarding management consulting contracts directly allows contract managers to engage qualified consultants quickly, without going through the often time-consuming and costly process of opening up the project to competition. Fairness is achieved through competitive awards, which provide all consultants with the opportunity to compete for government business and helps ensure that best value is attained.

In reality, however, managers do have contracting policies that dictate what the balance between the objectives of efficiency and fairness should be. Government policy has directed managers to favour fairness over administrative efficiency. Competitive awards are expected to be the norm and direct awards the exception.

Our expectation was that contract managers would follow these policies. Instead, we found that many have not and so have chosen efficiency over fairness. By not following these policies, managers are altering the balance needed to meet government's public policy objective of fairness and openness. Such open disregard for government policy raises the question "Why is this so?" and "Are the rules unreasonable or too onerous?" In our conversations with both the Purchasing Commission and the Office of the Comptroller General, we determined that the \$25,000 threshold and the exceptions to competitive award have not been reviewed for about six years. Consequently, we question whether the current policies represent the best balance between fairness and efficiency.

Most of the management consulting engagements we could conclude on demonstrated value for money, although the ministries rarely assess the results themselves

In conducting our audit, we attempted to determine whether the consulting projects in our sample resulted in benefits that were greater than the costs. To determine if money has been well spent, ministries must assess the results of the significant consulting projects once they are complete. Without such an assessment, it is difficult to demonstrate the value of the project or to draw any lessons for future engagements. We found that ministries rarely did this. Only two of the management consulting contracts we reviewed had been assessed and both of these were in the same ministry.

In the absence of an assessment of the costs and benefits, we looked to the ministries to demonstrate to us that the management consulting engagement provided value for money. On only 23 of the 37 management consulting contracts reviewed were we able to conclude about whether or not value for money had been received.

Of those 23 cases we could conclude on, the ministries were able to show for 17 (about 74%) that the various benefits received were greater than the cost of the consulting project. Ministries could not demonstrate this for the other six projects.

We could not conclude on the remaining 14 contracts because they were either recently completed or there was insufficient evidence.

Identifying and documenting the need for a project and for a consultant to complete it

The first step in the contracting process is identifying the need for a project and determining that a consultant is required to complete the work. Careful assessment of the need for a consulting project involves comparing the expected outcomes of the contract to the expected costs.

We found that, for the 37 management consulting contracts reviewed, there was usually adequate consideration of the need for a consulting project before it was initiated. However, this need was rarely formally assessed or documented. We found only one contract for which a rough cost-benefit analysis had been completed before the decision was made to engage a consultant.

Awarding the management consulting contract to a qualified consultant at a reasonable cost

Once a need has been identified and a decision to engage a management consultant has been approved, ministry management must select a consultant who can meet its needs at a reasonable cost. Awarding contracts competitively is one way to ensure this occurs. Since most of the ministries we sampled are direct awarding the majority of their consulting contracts, there is no way they can determine whether they are getting the services they need for the best value.

Establishing and managing the management consulting contract

To ensure that a consultant's deliverables meet a ministry's needs—and therefore provide value for money—management must ensure that the deliverables are clearly described in the contract's terms of reference and are delivered on time and to the satisfaction of the ministry.

Contracts with clear terms make it easier for contract managers to effectively manage and administer consulting engagements. Of the 37 management consulting contracts reviewed, we found that 29 (78% of our sample) had adequate contract terms and eight (22%) required improvements to ensure that the ministry got what it required at a reasonable cost.

In our sample, we found the majority of contract deliverables had been provided to the satisfaction of the ministries. In most cases, the consultants provided the deliverables exactly as described in the terms of reference. Where the deliverables varied from the terms, the changes were usually based on an oral agreement between the ministry and the consultants. However, there were six cases where the ministries were not completely satisfied with at least some of the deliverables. In two of these, the ministries were eventually satisfied, but only after substantial efforts were applied to manage the consultants. In the other four cases, the ministries judged some or all of the deliverables to be simply unacceptable and all of these resulted in the ministries receiving benefits that did not outweigh the costs. In situations like these, we found the difficulties encountered were a result of selecting the wrong consultant, establishing unclear contract terms, managing the contract poorly, or a combination of all of these factors.

Carefully considering the advice or information provided by the consultant and acting on this advice or using the information

In most cases, the final deliverable of a management consulting engagement is a report. Value for money can only be attained if ministry management adequately assesses the report and makes use of the information or implements at least some of the recommendations provided.

We found the ministries did not typically document their assessment of the consultant's report or create an action plan to ensure the accepted recommendations were not lost or forgotten. In fact, we found only three action plans in use for the 37 management consulting contracts we reviewed.

Although there was usually no formal assessment of the report, we did find evidence that management had accepted the information or the majority of the recommendations in all but five contracts. For three of these, poor contract management resulted in the ministries receiving information that did not meet their needs. In the other two contracts, the ministries each chose to develop a separate and smaller version of the consultant's report containing some but not all of the

information provided by the consultant. In both of these cases, the ministry versions conveyed a more positive impression than the consultant's report did. These types of ministry-written overview reports cause us some concern, because it is not clear whether information is being excluded after careful consideration of the consultant's report or being left out to protect the reputation of the program. We are also concerned that important recommendations or information that could result in significant improvements may be lost.

We also found, in the majority of cases, management had begun to implement, or had fully implemented, most of the consultant recommendations that it had accepted. However, without an action plan to guide this process, it was unclear in some instances whether the recommendations that had not been implemented were rejected or simply overlooked.



summary of recommendations

The following recommendations are directed primarily towards central government or the ministries we reviewed. However, we believe they apply to all ministries. Moreover, although the recommendations focus on management consulting contracts, they are likely to be applicable to all service contracts.

Is the process of awarding management consulting contracts fair and open?

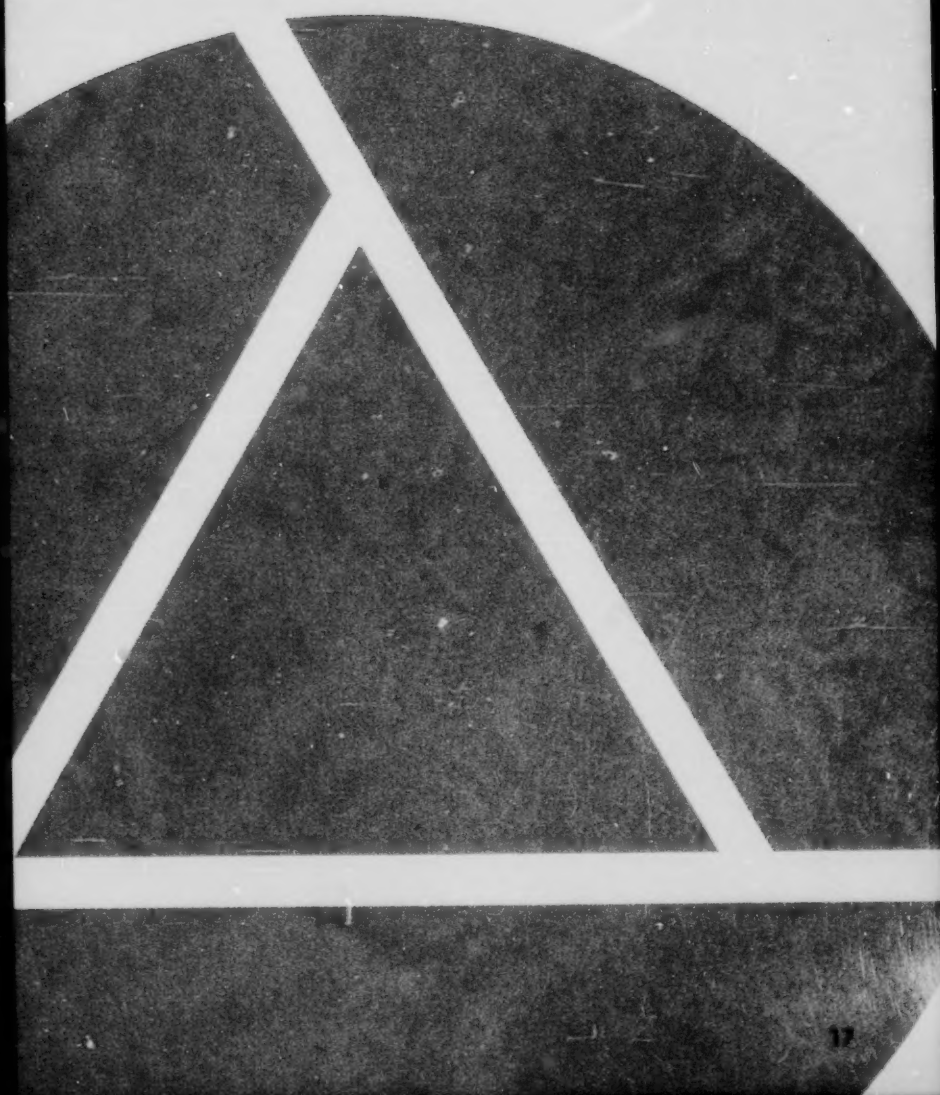
1. *Ministries should ensure staff are aware of, and follow, government policy for awarding service contracts. This could be done by ensuring staff are aware of the expert assistance, information sources and training opportunities available to them and through the use of a contract information sheet when documenting the awarding of a contract. This sheet should include a checklist composed of all government policy relating to (1) the exceptions to competitive awarding and (2) the notice of intent requirements, and should require the contract manager to describe how the chosen criterion has been met.*
2. *Ministries should encourage the use of bidders' lists that are established through an openly advertised means.*
3. *Ministries should establish adequate systems for ensuring that relevant contract documentation is maintained.*
4. *Government should review the \$25,000 threshold and the rules surrounding the exceptions to competitive awarding, to assess whether they lead to best value and represent a reasonable balance between administrative efficiency and fairness.*
5. *Government should ensure that a number of direct award contracts are randomly audited each year, to check that these contracts are being awarded according to government policy.*
6. *Government should annually report all service contracts for amounts greater than the competitive award threshold, including information about the purpose of the contract, the contractor name, the size of the contract and the awarding method.*

Is the use of management consulting engagements providing value?

7. *Ministries should ensure they adequately assess and document the need for a consulting project before seeking to engage a consultant. For significant projects, this assessment should include a more rigorous analysis and documentation of the costs and benefits.*
8. *Ministries should ensure their management consulting contracts contain clear terms and conditions, including statements of deliverables and work, and applicable performance standards.*
9. *Ministries should ensure contract amendments are in the best interest of the government and are not a result of poor planning or an attempt to avoid competitively awarding contracts.*
10. *Ministries should ensure services under a contract do not begin until all required approvals are obtained and the contract is finalized.*
11. *Ministries should create and monitor action plans for implementing the management consultant recommendations they have accepted.*
12. *Ministries should complete an evaluation of the results of each significant consulting engagement once it is completed.*



detailed report





what is management consulting and how extensive is its use by government?

What Is Management Consulting?

For the purpose of this audit, we defined management consulting according to the definition established by the well-known authors of *Consulting to Management*, Larry Greiner and Robert Metzger:

*Management consulting is an advisory service contracted for and provided to organizations by specially trained and qualified persons who assist, in an objective and independent manner, the client organization to identify management problems, analyze such problems, recommend solutions to these problems, and help, when requested, in the implementation of solutions.*²

The Canadian Association of Management Consultants has adopted this definition. Similar definitions are used by professional associations of management consultants in the United Kingdom, the United States and other countries, as well as by individual consulting firms. We expanded this definition to include management consulting engagements that did not necessarily involve identifying management problems. Assessments, feasibility studies and compensation evaluations are all examples of management consulting that may not involve problem identification.

Use of Management Consulting Engagements by Government

Within its ministries, the British Columbia government spent about \$46 million over the last three years on advisory services (Exhibit 1). This suggests that government frequently uses consultants to assist it in its decision-making. The impact of a consulting project can be several times greater than the size of the contract used to engage the consultant. Consultants may, for example, provide advice that affects programs with expenditures in the hundreds of millions of dollars or that have significant social and economic impacts.

Government engages a variety of different management consultants with different types of expertise and from different-sized organizations. Appendix A provides a brief summary of the engagements we reviewed.

²Greiner and Metzger 1983.

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Exhibit 1

Expenditures in British Columbia on advisory service contracts
for 1997/98, 1998/99 and 1999/2000 (\$)^a

Ministry or Agency	1997/98	1998/99	1999/2000	Total
Aboriginal Affairs	—	—	—	—
Advanced Education, Training and Technology	1,008,905	2,167,973	3,110,753	6,367,630
Agriculture, Food and Fisheries	—	679,394	380,541	1,059,935
Attorney General	—	332,125	325,717	657,842
Children and Families	3,828,212	7,836,981	3,468,837	15,134,081
Community Development, Cooperatives and Volunteers	—	—	430,378	430,378
Education	—	251,097	273,370	524,467
Employment and Investment	1,165,352	1,109,181	1,154,155	3,489,168
Energy and Mines	—	476,442	257,832	734,274
Environment, Lands and Parks	1,147,536	357,839	335,913	1,841,288
Finance and Corporate Relations	572,287	439,052	339,015	1,351,353
Forests	841,190	1,199,789	2,459,083	4,500,032
Health	539,503	1,636,968	2,387,712	5,084,183
Human Resources	148,276	—	—	148,276
Labour	—	201,682	293,562	495,244
Multiculturalism and Immigration	—	—	—	—
Municipal Affairs	40,847	140,292	49,481	230,620
Small Business, Tourism and Culture	375,794	82,920	203,729	662,442
Social Development and Economic Security	—	—	253,493	253,493
Transportation and Highways	1,411,901	332,609	401,424	2,145,934
Women's Equality	142,516	—	—	142,516
Other—Special Offices	169,527	194,797	231,376	595,700
Total	\$11,493,344	\$17,499,091	\$16,856,430	\$45,848,865

^a Numbers are based on STOB (standard object of expenditure) 2021 for 1997/98 and STOB 21 for the other two years. These STOBs include all government expenditures for professional advisory services. STOB 21 was introduced in 1997/98, but it was not widely used until 1998/99. We do not know how accurately the numbers represent all management consulting contracts. We also believe some ministries may not have coded their contract expenditures accurately, resulting in some management consulting contracts being left out and other contracts that are not for management advisory services being put in.

Source: Corporate Accounting System

Roles and Responsibilities for Contracting in Government Central Agencies

Two central agencies provide ministries with direction and assistance related to management consulting services.

Treasury Board is responsible for the establishment and approval of General Management Operating Policy (GMOP). Coordinated by the Financial Management Branch of the Office of the Comptroller General, GMOP provides one source for ensuring the uniform application of Treasury Board management policy throughout government. The GMOP manual consolidates government-wide policy for managing information, communications, materiel, transportation, contracts and expenses.

The Use and Risks of Consulting Engagements

Why do ministries engage consultants?

- To receive independent, unbiased judgement.
- To support/justify a controversial or potentially unpopular decision.
- To gain new ideas and a fresh approach.
- To have problems diagnosed and solutions evaluated.
- To develop and implement new methods and management systems.
- To save time by engaging someone who is not burdened by management's day-to-day pressures and can devote a full-time effort to the problem at hand.
- To facilitate change by having a consultant develop a change strategy and promote the benefits of change.
- To acquire information.
- To receive assistance from someone with technical skills not found internally.*

A flawed consulting assignment can result in:

- wasted money—government has limited resources and needs to ensure that the money allocated to consulting projects is well spent;
- wasted time—consulting projects can require the participation of staff, often several hours of their time;
- demoralized staff—employees sometimes view consultants with skepticism or, alternatively, they see them as being able to solve all of their problems;
- harmful advice—bad advice that is implemented can have negative impacts on government programs and services; and
- devastated careers—faulty consulting engagements can hurt the careers of the managers who supported them.**

*Kubr, Milan. *How to Select and Use Consultants*. Management Development Series No. 31. Geneva: ILO, 1993.

** Phillips, Jack. *The Consultant's Survival*. McGraw-Hill, 2000.

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Education	—	251,097	273,370	524,467
Employment and Investment	1,165,852	1,169,161	1,154,155	3,489,168
Energy and Mines	—	476,442	257,832	734,274
Environment, Lands and Parks	1,147,536	357,839	335,913	1,841,288
Finance and Corporate Relations	573,287	439,052	339,015	1,351,353
Forests	841,190	1,199,759	2,459,083	4,500,032
Health	559,503	1,636,968	2,887,712	5,084,183
Human Resources	148,276	—	—	148,276
Labour	—	201,682	293,562	495,244
Multiculturalism and Immigration	—	—	—	—
Municipal Affairs	40,847	140,292	49,481	230,620
Small Business, Tourism and Culture	375,794	82,920	203,729	662,442
Social Development and Economic Security	—	—	253,493	253,493
Transportation and Highways	1,411,901	332,609	401,424	2,145,934
Women's Equality	142,516	—	—	142,516
Other—Special Offices	169,527	194,797	231,376	595,700
Total	\$11,493,344	\$17,499,091	\$16,856,420	\$45,848,856

^a Numbers are based on STOB (standard object of expenditure) 2021 for 1997/98 and STOB 21 for the other two years. These STOBs include all government expenditures for professional advisory services. STOB 21 was introduced in 1997/98, but it was not widely used until 1998/99. We do not know how accurately the numbers represent all management consulting contracts. We also believe some ministries may not have coded their contract expenditures accurately, resulting in some management consulting contracts being left out and other contracts that are not for management advisory services being put in.

Source: Corporate Accounting System

Roles and Responsibilities for Contracting in Government Central Agencies

Two central agencies provide ministries with direction and assistance related to management consulting services.

Treasury Board is responsible for the establishment and approval of General Management Operating Policy (GMOP). Coordinated by the Financial Management Branch of the Office of the Comptroller General, GMOP provides one source for ensuring the uniform application of Treasury Board management policy throughout government. The GMOP manual consolidates government-wide policy for managing information, communications, materiel, transportation, contracts and expenses.

The Use and Risks of Consulting Engagements

Why do ministries engage consultants?

- To receive independent, unbiased judgement.
- To support/justify a controversial or potentially unpopular decision.
- To gain new ideas and a fresh approach.
- To have problems diagnosed and solutions evaluated.
- To develop and implement new methods and management systems.
- To save time by engaging someone who is not burdened by management's day-to-day pressures and can devote a full-time effort to the problem at hand.
- To facilitate change by having a consultant develop a change strategy and promote the benefits of change.
- To acquire information.
- To receive assistance from someone with technical skills not found internally.*

A flawed consulting assignment can result in:

- wasted money—government has limited resources and needs to ensure that the money allocated to consulting projects is well spent;
- wasted time—consulting projects can require the participation of staff, often several hours of their time;
- demoralized staff—employees sometimes view consultants with skepticism or, alternatively, they see them as being able to solve all of their problems;
- harmful advice—bad advice that is implemented can have negative impacts on government programs and services; and
- devastated careers—faulty consulting engagements can hurt the careers of the managers who supported them.**

*Kubr, Milan. *How to Select and Use Consultants*. Management Development Series No. 31. Geneva: ILO, 1993.

** Phillips, Jack. *The Consultant's Scorecard*. McGraw-Hill, 2000.

The Purchasing Commission's role is to acquire goods and services, provide purchasing advice to public institutions in the province and advise Treasury Board on purchasing policy and procedure used for the provincial government. The commission has established principles to guide its operations.

The Purchasing Act requires the commission to set policy on purchasing goods, but does not specifically mention services. Thus, while ministries are obliged to use the Purchasing Commission's services to procure goods, they can elect to contract for services without going through the commission. However, even when a ministry does manage a service contract itself, it may consult with the commission for advice, especially during the drafting of the Request for Proposal (RFP).³ The ministry may also include the commission on the proposal evaluation team, particularly in cases where the contract is complex or sensitive, or where the ministry does not have the expertise to do it.

The Ministries

Although the Purchasing Commission is available to offer guidance, ministries are responsible for the actual contracting for services. Each contract has a contract manager who is responsible for the development of the terms of reference for the contract, the award of the contract and the management of the contract. Many ministries also have a separate contract group that can provide advice to contract managers and may be involved in reviewing the contract to ensure it is complete before it is finalized.

Contracts must go through ministry approval processes. Each ministry has its own process, usually involving several levels of sign-off. For example, the Ministry of Health requires that someone from Finance and Management Services Branch approve all service contracts that the Program Director approved, and that the Assistant Deputy Minister and/or Deputy Minister of Health approve contracts greater than \$100,000. As well, the Assistant Deputy Minister must approve all direct award contracts (i.e., contracts that are awarded directly to a consultant without going through a competitive process). In addition, for all ministries, contracts over \$100,000 require approval from the Secretary to Treasury Board before the contract begins.



³ The RFP is a solicitation document written by the ministry. It outlines the work required by the ministry and is used by consultants to prepare a proposal to complete the work.

is the process of awarding management consulting contracts fair and open?

One of the two key objectives of government contracting is providing fair access to contracting opportunities. The public expects government, in spending public funds, to treat individuals and corporations in a fair manner. A fair and open process for awarding management consulting engagements ensures that consultants have equal opportunity to obtain a contract. In this section, we present our findings about whether the consulting engagements we reviewed were awarded in a fair and open manner.

Conclusion

With four of the five ministries usually direct awarding their management consulting contracts, we concluded that the process being used to award these contracts is not usually fair or open.

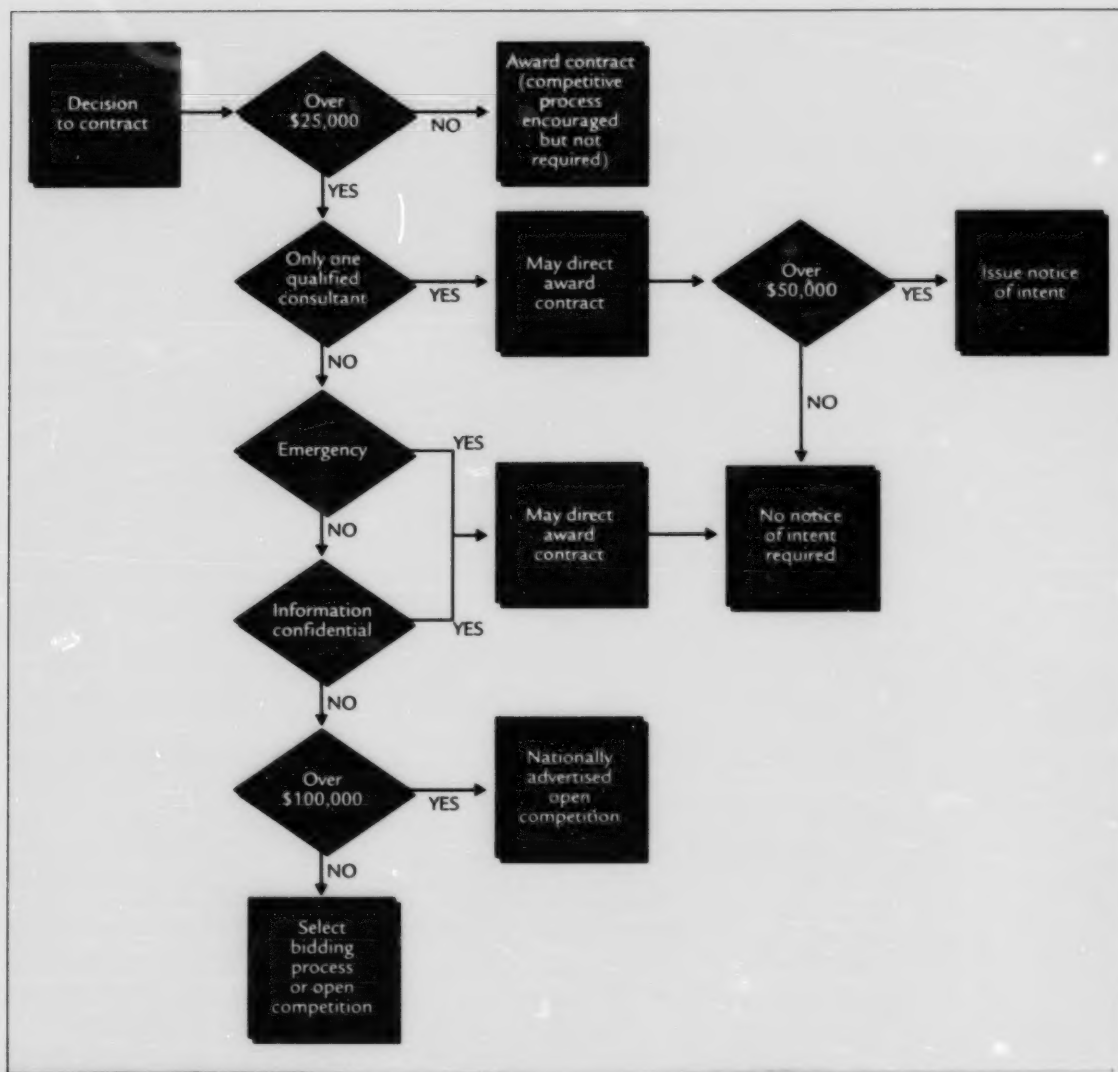
We also concluded that many contract managers are not aware of several key government policies related to awarding contracts.

Findings

Four of the five ministries reviewed are not awarding the majority of their management consulting contracts in a fair and open manner

The importance of fairness in government contracting is reflected in government policy, which states that government should seek to ensure its contracts are undertaken in an open, ethical and prudent manner. To ensure this objective is met, government policy requires managers to go through a set decision process when they are considering what award method to choose for a management consultant. As shown in Exhibit 2, the principle of fairness requires that most contracts, with a few narrowly defined exceptions, be awarded in a competitive manner.

Exhibit 2

Decision process for awarding a service contract^a

^a The process depicted in Exhibit 2 does not reflect a change in GMOP that occurred in October 2000. For contracts greater than \$100,000, where the ministry believes there is only one consultant qualified, the ministries must now submit to the Purchasing Commission the reason for its intent to direct award. The Purchasing Commission's opinion on the direct award must be attached to any related Treasury Board Submission. All contracts we reviewed were awarded before these policy changes came into effect.

Source: Created by the Office of the Auditor General of British Columbia

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Awarding Management Consulting Contracts

We found that management consulting contracts in four of the five ministries we reviewed were usually not awarded competitively. Of the original random sample of 25 management consulting contracts we selected, only 6 (24%) were awarded through competition, and of those, only two were awarded through an open bidding process (Exhibit 3).

The Ministry of Forests was the only ministry to regularly award management consulting contracts through competitions, having done so for four of the five contracts we reviewed. For the sample we reviewed, the other ministries tended to award the management consulting contracts directly to a consultant without holding a competition.

Soliciting bids

Competitively awarding contracts involves inviting consultants to bid on the project. Government policy for soliciting bids differs for contracts up to \$100,000 and those greater than this amount.

According to policy and the Agreement on Internal Trade (AIT),⁴ service contracts greater than \$100,000 must be openly advertised through the *Vancouver Sun*, a pre-qualified bidders' list,⁵ and/or a nationally accessible electronic bulletin board.

Exhibit 3

Direct award versus competitive awards

(% of original sample of 25)

Award Method	Total	As a Percentage %
Competitive Award	6	24
Open advertisement	2	8
Select bidders' list	4	16
Direct Award	18	72
Unable to verify—No documentation available for award of contract	1	4
Total	25*	100%

* Entire sample population of 37 not included as the samples were stratified to target competitively awarded contracts.

Source: Compiled by the Office of the Auditor General of British Columbia

⁴ The AIT is an internal Canadian agreement to reduce and eliminate, to the extent possible, barriers to the free movement of persons, goods, services and investments within Canada and to establish an open, efficient and stable domestic market.

⁵ Under AIT, a pre-qualified bidders' list is a bidders' list that is nationally advertised to allow consultants to submit their qualifications for inclusion on the list.

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Ministries can use BC Bid—the Purchasing Commission's Internet-based system for posting government bids—to meet the last requirement.

Of the five management consulting contracts we reviewed that were originally over \$100,000, only one met the AIT advertising requirements. The remaining four contracts were direct awarded. When we asked about this, the contract managers said they did not know about the requirements under AIT.

Contracts of \$100,000 or less may be openly advertised as well, or the ministry may target a short list of contractors from a bidders' list and invite them to submit proposals. We found that 7 of these 14 competitively awarded management consulting contracts (50%) were awarded using a bidders' list (Exhibit 4).

Ministries told us they invited a select group of consultants to bid by considering the individuals they knew would be qualified and by asking staff for suggestions. Although we support the use of bidders' lists, we would like to see these lists created in such a way that all interested and qualified consultants are included on them. This can be done by periodically advertising in a widely distributed newspaper a request for interested consultants to submit their qualifications for inclusion on a bidders' list.

Exhibit 4

Competitively awarded management consulting contracts,
by type of award process and size of contract

Award Method	Management Consulting Contracts		
	Over \$100,000	\$100,000 or less	Total
Competitively Awarded By Type			
Awarded through open bid	1	2	3
Bidders' list used	0	7	7
Unable to verify—No documentation available for award of contract	0	5	5
Total Competitively Awarded	1	14	15
Direct Awards	4	18	22
Total Contracts	5	32	37

Source: Compiled by the Office of the Auditor General of British Columbia

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Unable to verify—No documentation available for award of contract	0	5	5
Total Competitively Awarded	1	14	15
Direct Awards	4	18	22
Total Contracts	5	32	37

Source: Compiled by the Office of the Auditor General of British Columbia

Of all 15 competitively awarded management consulting contracts in our sample, we found only three were awarded using an open bidding process (Exhibit 4). Two of these cases were in the Ministry of Forests.

We were unable to verify the bidding process used for five of the contracts (33% of competitively awarded contracts) because of insufficient documentation, such as missing Requests for Proposal, consultant proposals, and proposal evaluation information (Exhibit 4). Documentation is an important part of all activities carried out by government. Adequate records help government be properly accountable for what it has done and can support decisions that were made.

The ministries told us they simply could not find the documentation. Concerning one contract, for example, the Ministry for Children and Families claimed it had been through several re-organizations since the time of the contract and the documentation had likely been lost in the move. Such a lack of available records concerns us, suggesting poor file management and non-compliance with government policy.

Recording the reason for direct awarding a management consulting contract

To ensure accountability, government policy states ministries "must record the reasons for direct awarding a contract and must retain the explanation on file." We found this is usually done, but with insufficient detail. Most ministries record the reasons for direct award on a contract approval form that contains a summary checklist of the circumstances under which a contract may be direct awarded. Managers will often just tick one of these reasons without providing additional explanation as to how the criterion was met. In some cases, they do not understand the criteria under GMOP, and in others they simply prefer to direct award.

Although we support the use of these types of forms, the ministries should ensure the wording reflects government policy and requires the contract manager to include further explanation. When selecting the exception "only one contractor is qualified," for example, staff should include an explanation of how they were able to determine this was the case.

The Ministry of Employment and Investment, for example, has a checklist on its contract bidding information sheet for direct awarding a contract. This list allows individuals to document their reasons for direct award simply by checking the appropriate box. However, we noted that the ministry's form does not accurately represent government policy and does not allow for a more detailed description. Rather than

stating "only one contractor is qualified," the ministry uses "special expertise that the consultant may have for this type of assignment" (Exhibit 5). Not surprisingly, the majority of the managers in the cases we looked at used this category as their rationale for direct awarding. In our view, the wording implies a far greater breadth than what is intended by government policy and is being used to support the direct awarding of contracts where the consultant has experience working with the ministry. In addition, the fourth rationale on the form, "current workload of the contractor, especially if the assignment is to address a bona fide emergency," is also somewhat different than the government policy criterion of "an emergency exists and any delay associated with a competitive process would put life, limb or property in jeopardy or otherwise be contrary to the public interest."

During our audit, we did not find that any ministries were using adequate checklist forms. We did find, however, that the Ministry for Children and Families has recently developed a better form. It provides a list of the criteria for direct awarding and asks for a description of how the criteria have been met (Exhibit 6).

Exhibit 5

Excerpt from Ministry of Employment and Investment award checklist

A. Method of Solicitation (Direct Award, ITQ, RFP)

☐ **DIRECTED** (Indicate yes or no. If yes, please indicate the reason for the appropriate category below (as per GMOP, Chapter 6). If over \$25,000 and Direct Award, one of the latter three categories for Direct must be indicated.

☐ Low value of contract (under \$25,000)

☐ Special expertise that the contractor may have for this type of assignment

☐ Highly confidential nature of the assignment, or

☐ Current workload of the contractor, especially if the assignment is to address a bona fide emergency.

☐ **ITQ: INVITATION TO QUOTE** (Indicate Yes/No) ☐ Yes: Phone ☐ Mail ☐ Fax

☐ **RFP: REQUEST FOR PROPOSAL** (Indicate Yes/No) (written only).

Source: Ministry of Employment and Investment

Informing the public of the intention to direct award a contract

To ensure the awarding of contracts is open, ministries are required to issue a "notice of intent," stating their intention to direct award a contract over \$50,000. These notices are normally posted on BC Bid and are supposed to include a description of the project, the amount of the proposed contract and the proposed contractor's name. This process helps to increase transparency and gives other consultants an opportunity to request the contract be competed for if they can demonstrate their ability to perform the assignment.

In our audit, we found a notice of intent was not issued for any of the seven contracts greater than \$50,000 which were direct awarded.

Managers reported to us that in many of these cases they were not aware of the notice of intent requirements. One way to change this would be to include the requirement for a notice of intent on contract bidding forms, as has been done in the Ministry for Children and Families (Exhibit 6).

Exhibit 6

Excerpt from Ministry for Children and Families award checklist

CONTRACT SELECTION PROCESS ☐ REQUEST FOR PROPOSAL ☐ INVITATION TO QUOTE ☐ DIRECT AWARD (See G.M.O.P. 6.3.2): Check appropriate box and explain, if more space is needed attach a separate sheet. ☐ CONTINUING AGREEMENT ☐ EMERGENCY SITUATION, Describe: ☐ CONFIDENTIAL SERVICES/CONTRARY TO PUBLIC INTEREST. Describe: ☐ ONLY ONE CONTRACTOR IS QUALIFIED, Describe: Under \$50,000 Notice of Intent is suggested; Over \$50,000 Notice of Intent is required ☐ Notice of Intent filed

Source: Ministry for Children and Families

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☐ Special expertise that the contractor may have for this type of assignment

☐ Highly confidential nature of the assignment, or

☐ Current workload of the contractor, especially if the assignment is to address a bona fide emergency.

☐ **(ITQ) INVITATION TO QUOTE** (Indicate Yes/No) ☐ **VIA:** Phone ☐ Mail ☐ Fax ☐

☐ **(RFP) REQUEST FOR PROPOSAL** (Indicate Yes/No) (written only).

Source: Ministry of Employment and Investment

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- ☐ **INVITATION TO QUOTE**
- ☐ **DIRECT AWARD** (See G.M.O.P. 6.3.2): Check appropriate box and explain, if more space is needed attach a separate sheet.
 - ☐ CONTINUING AGREEMENT
 - ☐ EMERGENCY SITUATION, Describe:
 - ☐ CONFIDENTIAL SERVICES/CONTRARY TO PUBLIC INTEREST. Describe:
 - ☐ ONLY ONE CONTRACTOR IS QUALIFIED, Describe:
 - Under \$50,000 Notice of Intent is suggested;
 - Over \$50,000 Notice of Intent is required
 - ☐ Notice of Intent filed

Source: Ministry for Children and Families

Central agency involvement in the awarding process

Seeking advice from experts can help ministry staff who might otherwise be unsure of how to apply government policy. Possible sources of expert advice include the Purchasing Commission, and for those ministries that have them, central contract management groups.

We found many cases where ministry staff were not aware of government policies when issuing a management consulting contract. At the same time, we noted that ministries rarely sought advice from the Purchasing Commission or from a ministry contract management group, members of whom are available to offer advice on contracting practices. In fact, there were only two cases in our sample where the commission's services were used. One of these cases was in the Ministry of Forests, which used the Purchasing Commission to help with a contract that was for \$360,000 (Exhibit 10). The ministry wanted to ensure it followed government policy and was fair.

Recommendations

1. ***Ministries should ensure staff are aware of, and follow, government policy for awarding service contracts. This could be done by ensuring staff are aware of the expert assistance, information sources and training opportunities available to them and through the use of a contract information sheet when documenting the awarding of contract. This sheet should include a checklist composed of all government policy relating to (1) the exceptions to competitive awarding and (2) the notice of intent requirements, and should require the contract manager to describe how the chosen criterion has been met.***
2. ***Ministries should encourage the use of bidders' lists that are established through an openly advertised means.***
3. ***Ministries should establish adequate systems for ensuring that relevant contract documentation is maintained.***

Management reasons for direct awarding management consulting contracts

Government policy has been created to ensure that contractors are treated fairly. We expected government to award contracts to management consultants according to this policy (GMOP) and good management practices. To ensure contracts are awarded in a fair and open manner, government policy requires that all contracts greater than \$25,000 be competitively awarded unless one or more of the following criteria are met:

- an emergency exists and any delay associated with a competitive process would put life, limb or property in jeopardy or otherwise be contrary to the public interest;
- the services to be purchased are of a confidential or privileged nature and disclosure of these matters through an open bidding process could reasonably be expected to compromise government confidentiality, cause economic disruption or otherwise be contrary to public interest; or
- only one contractor is qualified to perform the services.⁶

For contracts that do not exceed \$25,000, ministries are expected to use a competitive process when it makes sense, but they are not required to do so.

We found, in our sample, 4 of the 5 ministries did not usually follow these rules. Fifteen of the 22 direct award management consulting contracts did not meet the criteria for direct awarding (Exhibit 7).

Thirteen of the 22 direct award management consulting contracts (59%) were awarded in this manner because ministries said they wanted to minimize risk. To that end, managers chose consultants who had worked in the ministry or program area before and had knowledge in the area and a good reputation.

Exhibit 7

Management reasons for direct awards

Reason for direct award of management consulting contracts	Number of direct award contracts	As percentage of direct award contracts (%)
Met government policy	7	32
Did not meet government policy		
Low risk	13 ^a	59
Expediency	2	9
Sub-total	15	68
Total	22	100%

^a Of the low risk reasons for direct award, seven (32%) were awarded because of the consultant's prior experience working with the program or ministry and six (27%) were awarded because of the consultant's reputation.

Source: Created by the Office of the Auditor General of British Columbia

⁶ These policies were in effect at the time of our audit. Some amendments were made in October 2000. General Management Operating Policy, section 6.3.2.

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^a These policies were in effect at the time of our audit. Some amendments were made in October 2000. General Management Operating Policy, section 6.3.2.

Seven of the direct award management consulting contracts (32%) resulted because the consultant had recently completed a contract for the ministry in a related program or area. In the Ministry for Children and Families, for example, one contract was awarded to a consultant who had just completed another different, but related contract for the ministry and, as a result, had knowledge of the area in which the review was needed. These situations concern us, for they suggest that the first person "in the door" is gaining a monopoly over future contracts with the ministry. Not only is this practice unfair, but it may not allow for new ideas or perspectives that may come with a different consultant.

Direct awarding of six of these management consulting contracts (27%) was attributed to the reputation of the consultants. For example, the Ministry of Employment and Investment felt it had to contract with one of the "big six" accounting firms because of the nature and high profile of the contract. The chosen firm was direct awarded the contract because it was the only one of the six not in a position of conflict of interest. However, it is not clear to us that the nature and requirements of the engagement necessitated using a "big six" firm. Other companies would likely have been just as qualified and should have been given an opportunity to bid on the contract. By awarding contracts to consultants based primarily on their reputation, the ministries are not giving other consultants the opportunity to respond to contracts and show their relevant experience.

In two cases (9%), expediency was used as management's reason for direct awarding a contract. Contract managers said the time involved in going through the competitive process can be long, with the average RFP process lasting about two months. Normally it takes about two weeks for the ministry to write an RFP, three weeks for the consultant to respond, two weeks for the ministry to evaluate the proposals and one week for both parties to negotiate and sign the contract. This time summary does not include additional delays that can occur in writing the RFP and getting it approved. In contrast, a direct award contract can be granted in as little as a day.

Achieving fairness and efficiency in awarding management consulting contracts

If there were no contracting policies, managers would be required to consider different objectives when deciding how to award a contract: efficiency and fairness. Administrative efficiency is achieved through direct awards. Awarding management consulting contracts directly allows contract managers to engage qualified consultants quickly, without going through the often time-consuming and costly process of opening up the project to competition. Fairness is achieved through competitive awards, which provide all consultants with the opportunity to compete for government business and helps ensure that best value is attained.

In reality, however, managers do have contracting policies that dictate what the balance between the objectives of efficiency and fairness should be. Government policy has directed managers to favour fairness over administrative efficiency. Competitive awards are expected to be the norm and direct awards the exception.

Our expectation was that contract managers would follow these policies. Instead, we found that many have not and so have chosen efficiency over fairness. By not following these policies, managers are altering the balance needed to meet government's public policy objective of fairness and openness. Such open disregard for government policy raises the question "Why is this so?" and "Are the rules unreasonable or too onerous?" In our conversations with both the Purchasing Commission and the Office of the Comptroller General, we determined that the \$25,000 threshold and the exceptions to competitive award have not been reviewed for about six years. Consequently, we question whether the current policies represent the best balance between fairness and efficiency.

Recommendations

4. *Government should review the \$25,000 threshold and the rules surrounding the exceptions to competitive awarding, to assess whether they lead to best value and represent a reasonable balance between administrative efficiency and fairness.*
5. *Government should ensure that a number of direct award contracts are randomly audited each year, to check that these contracts are being awarded according to government policy.*

Reporting on the contracts

The report on the Public Accounts currently includes a schedule⁸ that lists all suppliers who received \$25,000 or more from government in a given year and the total amount they received. However, there is no information reported on amounts paid to suppliers for individual, significant contracts. By not reporting on this, the public has no way of knowing the number, size or purpose of contracts awarded, or the method used to award the contracts.

We think reporting information on all service contracts awarded would improve the transparency of government. Details could cover the purpose of the contract, the contractor name, the size of the contract and the awarding method. This level of accountability is an effective way to encourage contract managers to award contracts in an open manner, as they would be reporting the number of contracts that were direct awarded.

Recommendation

6. *Government should annually report all service contracts for amounts greater than the competitive award threshold, including information about the purpose of the contract, the contractor name, the size of the contract and the awarding method.*



⁸ This schedule is available on the Ministry of Finance web site (www.fin.gov.bc.ca).

are management consulting engagements providing value?

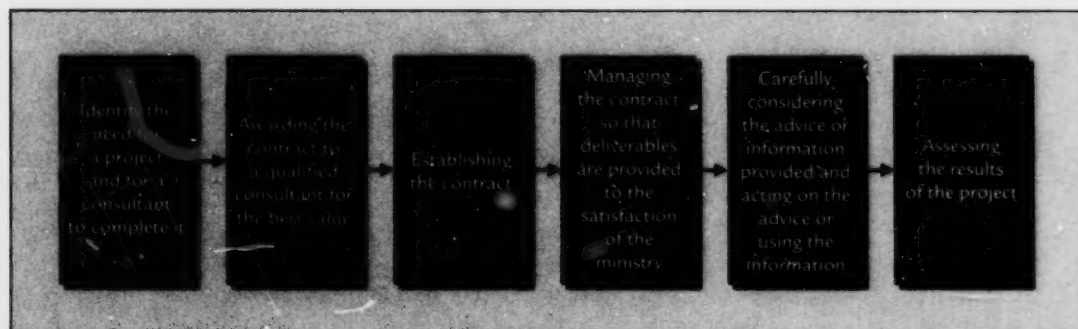
The other key objective of contracting in government is obtaining value for the money spent. In examining each management consulting contract chosen for our audit, we tried to determine what the results or the final outcomes were after the consulting engagement was finished and the services had been provided, and whether the benefits of the engagement were greater than the costs. To determine what had contributed to the results, we reviewed each phase of the consulting contract (Exhibit 8). In this section of the report we present results and then discuss our findings for each of the contract phases.

Conclusion

About three-quarters of the management consulting engagements we could conclude on resulted in benefits that outweighed the costs. The management consulting contracts in which value for money was not provided were the result of the ministries not adequately assessing the need for a consultant, not engaging a consultant who could meet their needs, not establishing clear contract terms, or not ensuring that the contract deliverables were provided on time and to the satisfaction of the ministry.

Exhibit 8

The contracting phases



Source: Created by the Office of the Auditor General of British Columbia

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Findings

Most of the management consulting engagements we could conclude on demonstrated value for money

In reviewing each of the 37 management consulting contracts of our sample, we looked to management to demonstrate that the benefits outweighed the costs. For only 23 of the management consulting contracts were we able to conclude about whether value for money had been achieved. The remaining 14 contracts we could not assess because they were either recently completed or there was insufficient evidence. Therefore, our findings in this section, as shown in Exhibit 9, are based only on 23 contracts.

Exhibit 9

Has management demonstrated that the consulting project has produced benefits that are greater than the costs?

Benefits Outweigh the Costs?	Total Number of Contracts	As Percentage of Total Number of Contracts We Concluded On (%)
Yes (How?)		
Improved client service and/or increased efficiency	10	44
Led to better informed decision-making	9	39
Increased revenue to government	1	4
Total number of contracts that demonstrated benefits greater than costs	17^a	74
No (Why not?)		
Poor quality of deliverables	3	13
No impact on the ministry	3	13
Total number of contracts that did not demonstrate benefits greater than costs	6	26
Totals	23^b	100%

^a The numbers exceed 17 because some engagements have more than one benefit.

^b The 14 other contracts we examined could not be assessed, five because there was insufficient evidence and nine because the work was still in the process of being assessed or implemented.

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Management consulting engagements when the benefits likely outweighed the costs

Seventeen of the management consulting contracts we looked at (74% of the 23) resulted in benefits, usually qualitative, that likely outweighed the costs (Exhibit 9). Ten of these engagements provided benefits that led to an increase in efficiency or improved customer service. The Ministry for Children and Families, for example, engaged a consultant to develop a tool to measure and predict the number of staff required to carry out a function for the ministry. The ministry used the resulting workload measurement tool to determine that more employees were needed, and then took this information to Treasury Board to request funding for the additional staff. The result was that the ministry was able to secure more staff and therefore, presumably, improve the level of client service. Moreover, the ministry was able to sell this model to another province for \$5,000.

Nine of the engagements we looked at led to better-informed decision-making. One contract at the Ministry of Forests, for instance, resulted in the ministry having better information for budgeting and the design and delivery of a training program. The ministry engaged a consultant to conduct a needs assessment, evaluate the program in question, and then revise the training strategy accordingly. The ministry used this information for its budget allocations and to make adjustments to the training program to ensure it met the needs of ministry clients.

One engagement at the Ministry of Employment and Investment contributed to increased revenue to the Province. The ministry engaged an investment bank to conduct a financial analysis and assessment of a truck manufacturer. The findings were needed to help the Province decide whether or not to give the company financial support. The report resulted in the Province investing \$60 million in the company and committing to a \$2.5 million annual training grant to encourage the company to remain in Kelowna and expand its facilities. Sixteen months later, there was a takeover of the company and the Province received \$78.3 million for its shares of the company—a \$15.8 million return on its investment.

Management consulting engagements when the benefits did not likely outweigh the costs

Management was unable to demonstrate that the benefits outweighed the costs for six of the management consulting contracts (26% of the 23 we concluded on), because the deliverables either were unacceptable in quality to the ministry or they had no impact on the ministry (Exhibit 9). The reason for this in most cases was one or more of the following factors: the need for the project was not accurately assessed; the project was not well planned; the contract manager selected the wrong consultant; or the contract was poorly managed.

In all three cases where we found the ministries were not satisfied with the deliverables, the consultants were fully paid. In one of these situations, the Ministry for Children and Families engaged a consultant to complete four separate reports for the ministry, including an evaluation of one of its programs. Although the ministry was satisfied with three of the reports, it was not satisfied with the formative evaluation report, but still paid the consultant in full for the work done. Even after several iterations, the consultant and ministry management could not come to an agreement on the report's scope, content and tone, and therefore the ministry accepted the report only as "draft" even though, from the consultant's point of view, the report was final. The result was that an inordinate amount of time and effort was directed towards finalizing this contract, thus raising the costs of the contract in relation to the benefits.

We also found three cases where the quality of the deliverable was satisfactory, but the consulting project did not have any impact on the ministry. Reasons for this varied. In one case, for example, the Ministry of Employment and Investment engaged a consulting company to prepare reports the ministry could use to entice a large corporation to establish facilities in British Columbia. Encouraging companies to establish facilities in British Columbia is common practice for the ministry and it requires some investment and risk taking on the part of the ministry. The ministry was satisfied with the services it obtained from the consulting firm, even though it was ultimately not successful in attracting the corporation to British Columbia. The ministry's decision to pursue this corporation was based on the benefits it anticipated the province would receive, if chosen, in terms of investment dollars and jobs. Although we understand the need for these types of engagements, we believe that an endeavor of this

magnitude (a contract of about \$500,000 plus staffing costs) should have been supported by a more detailed upfront assessment of the costs, benefits and the likelihood of success.

The contracting process did not always ensure value for money was obtained

We found the contracting process did not always ensure that value for money was obtained for the management consulting contracts we examined. Although we found the majority of management consulting engagements resulted in value for money being obtained, we did find six engagements that did not result in benefits that outweighed the costs. To understand why this happened, it is important to look at each of the phases in the contracting process (Exhibit 8).

Identifying and documenting the need for a project and for a consultant to complete it

The first phase in the consulting contract process is identifying and documenting a need for a project and determining that a consultant is needed to perform the work. Careful assessment of the need for a consulting project involves considering if the work can be done by in-house staff, and comparing the expected outcomes of the contract to the expected costs. This assessment usually requires that the ministry possess a good understanding of the project expectations, as well as having a reasonable estimate of the project costs.

For contracts greater than \$100,000, however, Treasury Board requires a more formal assessment. Ministries must obtain approval from the Secretary to Treasury Board through a submission that includes justifications for the proposed project and sufficient information to enable the board to make an informed decision. Included, for example, should be an analysis comparing the cost of contracting out with the cost of obtaining the service in-house (where obtaining the service in-house is a feasible option), as well as an assessment of the probable effects and advantages and disadvantages of the project.

We found, for the sample reviewed, there was usually adequate consideration of the need for a consulting project before it was initiated. However, this need was rarely formally assessed or documented. We found only one contract for which a rough cost-benefit analysis had been completed before the decision was made to engage a consultant (Exhibit 10).

Exhibit 10

Example of where the value of a consulting project was measured

The Ministry of Forests is in the process of implementing a continuous improvement project that began in three separate forest districts. It started in the Prince George District in 1997 to help the district meet the standing timber inventory levels to which the ministry had committed. The district and participating forest companies engaged a consultant to assist them in reviewing and redesigning its business processes to meet this target. The project was so successful that the ministry decided to fund a similar project in the McKenzie Forest District (the contract for that work was randomly chosen for this audit) and in the Morice Forest District. The initial contract in McKenzie was for \$40,000 and a subsequent related contract a few months later was for \$53,000.

To assess the value of these first three projects, the ministry and its stakeholders attempted to measure the benefits realized. This they did by holding a workshop that included ministry representatives and stakeholders as well as the consultants who had been engaged in each of the three districts to facilitate the changes. This workshop provided participants with an opportunity to review and evaluate the projects and discuss what worked, what did not, and suggestions for changes. The result was that the ministry was able to show that significant and quantifiable benefits had been received in these first three projects.

This information was subsequently used in an investment proposal for a continuous improvement project that would be implemented on a larger scale across the ministry over time. The purpose of the project is to streamline and improve existing business and management processes, eliminate duplication and red tape, reduce operating costs and strengthen working relationships with the Ministry of Environment, Lands and Parks and forest companies.

Ministry executive agreed to fund this larger project, which is now underway. The \$360,000 contract that supported the first year of this project was also included in our audit. The ministry advertised this contract nationally and included the evaluation criteria and weightings in the Request for Proposal. Four people undertook the evaluation of the proposals, and fully documented their reasons for selecting the winning proposal. The ministry used the Purchasing Commission for advice and assistance throughout the process to ensure the process was fair and impartial.

The Ministry of Forests continues its efforts at measuring results, although it has encountered a number of challenges in doing so. It plans to conduct a comprehensive third-party review at the end of the second year of the project. We are encouraged to see the Ministry of Forests is making these efforts to assess its consulting projects.

Source: Compiled by the Office of the Auditor General of British Columbia from Ministry of Forests documents.

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Exhibit 11

Example of where value for money was not received because of poor planning

The Ministry for Children and Families direct awarded a contract to a consultant to review one of its programs and recommend options to the ministry for improving service. The rationale for the direct award was that the consultant had knowledge in the area gained while recently providing related services to the ministry on another contract. (This is not an adequate rationale under GMOP.)

The ministry was not able to use the information when the consultant provided it because the report made recommendations that the ministry did not consider to be feasible at the time. This occurred because the timing of the review was poorly planned, as it was done during a period when it was not reasonable to make changes in the ministry.

Source: Compiled by the Office of the Auditor General of British Columbia from Ministry for Children and Families documents

In four cases (11% of our sample), we found there was insufficient upfront consideration of the need for a project. One of these resulted in value for money not being received because of poor planning (Exhibit 11). For the other three, we were unable to conclude on whether or not value for money was received because it is too soon to tell the value of the project or there is insufficient evidence.

Recommendation

7. *Ministries should ensure they adequately assess and document the need for a consulting project before seeking to engage a consultant. For significant projects, this assessment should include a more rigorous analysis and documentation of the costs and benefits.*

Awarding the management consulting contract to a qualified consultant at a reasonable cost

The second phase in the consulting contract process is awarding the contract to a qualified consultant at a reasonable cost. In each of the contracts we examined, we expected ministry management to ensure best value by selecting a qualified consultant who could meet its needs at a reasonable cost. Not selecting a qualified consultant, regardless of cost, can result in value for money not being obtained, as was the case with a Ministry of Health contract (Exhibit 12).



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Exhibit 12

Example of a contract when inappropriate contractor selection
and poor contract management resulted in value for money not being received

The Ministry of Health engaged a consulting firm to review one of its programs and report what they found. Ministry staff direct awarded this contract because they were in a hurry and believed that the consultant could meet their needs, even though they had in fact never worked before with the consultant.

Ministry staff accepted the consultant's report and fully paid the firm for services rendered—not even using the 10% holdback provision in the contract. Staff did not have the knowledge or confidence to accurately assess the quality of the report. At about the same time, the program got a new director who, after reading the report, judged it to be completely unsatisfactory. Ministry staff worked with the consultant to resolve the problems and develop a report that met the ministry's expectations. These attempts failed and the ministry neither published the report nor used it in its program development.

Had the ministry awarded this contract through a competitive process, it may have resulted in the engagement of a consultant who was more suitable for the job. As well, had the ministry monitored the contract more closely, tied payments to deliverables and invoked the holdback provision, it may have been able to resolve the quality issues early on or at least to terminate the contract before it was completely paid out.

Source: Compiled by the Office of the Auditor General of British Columbia from Ministry of Health documents

Selecting the right consultant but paying too much is another way value for money can be jeopardized. Awarding contracts competitively is one way government can ensure it gets the services it requires for the best value. Since, as we discussed in the previous section, most of the ministries are direct awarding the majority of their consulting contracts, there is no way of knowing whether government is getting optimum value for money for these contracts.

Establishing the management consulting contract

The next phase in the process is establishing the contract. We expected management to engage consultants by establishing a contract with terms and conditions that accurately describe what the ministry needs and that clearly state outputs and outcomes using quality and quantity descriptors. (Contract terms that explain the services to be provided are contained in Schedule A of government contracts.) We also expected management to ensure that the contract was signed and approved before the services had begun.

Exhibit 13

Example of situation when unclear contract terms and inadequate contract management resulted in value for money not being received

The Ministry for Children and Families used a competitive process to engage a consultant to conduct an impact analysis of one of its programs. However, the consultant was managed by someone in the contract area rather than the program area and, as a result, delivered a product that did not meet the program manager's expectations. In addition, the original program manager left part way through the contract, and the new manager had a different understanding of the expectations specified in the contract. The result was that the ministry was not able to use the report and did not have the information that it needed.

Source: Compiled by the Office of the Auditor General of British Columbia from Ministry for Children and Families documents

Contracts with clear terms make it easier for contract managers to effectively manage and administer the agreements. Of the 37 management consulting contracts reviewed, we found 29 (78%) had adequate contract terms and eight (22%) required improvements to ensure that the ministry got what it required at a reasonable cost.

Contracts with unclear terms pose several problems. First, they increase the risk that the ministry may become involved in lengthy dialogue with the consultant to clarify expectations. We noted three cases where, although the contract language was vague or inaccurate, it was clarified through discussions between the ministry and the consultant and did not result in any difficulty for either party. Where these discussions do not occur, unclear contract terms can result in a ministry not receiving the services it requires. One contract at the Ministry for Children and Families, for example, had unclear terms and poor contract management (Exhibit 13), resulting in the ministry not receiving a product it could use.

Contracts with unclear terms can sometimes also create what appears to be an employer/employee relationship. This leaves the ministry open to penalties for unpaid Employment Insurance premiums, Canada Pension Plan contributions and income tax deductions, and to claims for benefits (including pensions) and payments of notice or pay in lieu of notice if the contract were cancelled.

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We found two cases that had the appearance of an employer/employee relationship: one at the Ministry of Health and one at the Ministry of Advanced Education, Training and Technology. In both of these contracts, the Schedule A included a number of unspecific deliverables that read more like job descriptions than terms of consulting work. The Ministry of Health contract is described in Exhibit 14. The Ministry of Advanced Education, Training and Technology engaged a consultant to provide planning and management support. The contract included vague terms such as "etc." and "liaison with."

The requirement for significant amendments to contracts may also arise when contract terms inadequately describe the work to be done. Reasons for amendments include the need for more time and/or money to complete the work or the need to expand the scope of the deliverables to cover more of the same or different tasks. We found that contract amendments were common in all of the ministries we reviewed. Out of our sample of 37 management consulting contracts, 23 (62%) had one or more amendments—and there were 36 amendments in

Exhibit 14

Example of a contract when vague terms of reference read more like a job description than a consultant contract

The Ministry of Health direct awarded a contract to a consultant to draft a Cabinet submission. As a result of staff departures, the ministry lacked the resources to do this work internally and, since the original contract was less than \$25,000, the direct award was consistent with government policy. The consultant engaged had been a ministry employee about nine months previously, but had accepted an early retirement package.

The original contract for \$16,500 was completed in March 1998. In May 1998, a second contract was drawn up as a continuation of the first. It was completed in September 1999.

Both contracts contained many references to vague deliverables such as conducting "consultations" with various groups and organizations and acting as a liaison for the ministry. No limitations were placed around these deliverables and, when the budget ran out on the second contract, it was increased to allow the consultant to continue. In the end, the second contract was amended five times and ultimately increased from \$17,500 to \$38,500, and the original completion date was extended by 12 months.

A number of other deliverables were added to the contract in order to continue using the consultant when it became clear that the consultant would be indefinitely prevented from finalizing the main deliverable—the Cabinet submission. The result was that a number of the deliverables were never provided, but the ministry was still satisfied with the consultant's services.

Source: Compiled by the Office of the Auditor General of British Columbia from Ministry of Health documents

total among those contracts (Exhibit 15). We also found that while most contracts had been amended only once, three had been amended three or more times.

The most common reason for amendments is the need for more time to complete the original contract terms. Sometimes it is the consultant who has taken longer than anticipated, but often it is the ministry that has taken longer than planned to provide the consultant with necessary information or feedback. In other cases, there are cost overruns, and the contract is amended to pay the consultant additional funds to complete the original contract terms. We found that this occurred in seven different management consulting contracts (19% of our sample) across all five of the ministries in our sample. These amendments ranged from an increase of 10% above the original contract amount to a little over 100%. In the Ministry of Advanced Education, Training and Technology, for example, one contract was amended twice and increased from \$24,100 to \$49,900. Such contract amendments may not be in the best interest of the Province. Poor planning and inadequate needs analysis contribute to the often complex and expensive process of changing the original contract. Moreover, extending or substantially amending contracts instead of soliciting new bids may compromise open and fair access to contracting opportunities for other consultants.

We also found scope expansion in management consulting contracts to be quite common. In some cases, the amount of effort required to complete a contract is much greater than has been anticipated by either the consultant or the ministry.

Exhibit 15

Reasons for contract amendments

Reason for Amendment	Number of Amendments
Date extension only to complete original terms	15
Insufficient funds to complete original terms*	8
Scope expansion (usually includes both a date extension and more funds)	13
Total Number of Amendments	36

* Also includes contracts in which the allocation of funds between fees and expenses is altered to accommodate the consultant, but the original contract value does not change

Source: Compiled by the Office of the Auditor General of British Columbia from ministry documents

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Source: Compiled by the Office of the Auditor General of British Columbia from Ministry of Health documents

total among those contracts (Exhibit 15). We also found that while most contracts had been amended only once, three had been amended three or more times.

The most common reason for amendments is the need for more time to complete the original contract terms. Sometimes it is the consultant who has taken longer than anticipated, but often it is the ministry that has taken longer than planned to provide the consultant with necessary information or feedback. In other cases, there are cost overruns, and the contract is amended to pay the consultant additional funds to complete the original contract terms. We found that this occurred in seven different management consulting contracts (19% of our sample) across all five of the ministries in our sample. These amendments ranged from an increase of 10% above the original contract amount to a little over 100%. In the Ministry of Advanced Education, Training and Technology, for example, one contract was amended twice and increased from \$24,100 to \$49,900. Such contract amendments may not be in the best interest of the Province. Poor planning and inadequate needs analysis contribute to the often complex and expensive process of changing the original contract. Moreover, extending or substantially amending contracts instead of soliciting new bids may compromise open and fair access to contracting opportunities for other consultants.

We also found scope expansion in management consulting contracts to be quite common. In some cases, the amount of effort required to complete a contract is much greater than has been anticipated by either the consultant or the ministry.

Exhibit 15

Reasons for contract amendments

Reason for Amendment	Number of Amendments
Date extension only to complete original terms	15
Insufficient funds to complete original terms*	8
Scope expansion (usually includes both a date extension and more funds)	13
Total Number of Amendments	36

* Also includes contracts in which the allocation of funds between fees and expenses is altered to accommodate the consultant, but the original contract value does not change

Source: Compiled by the Office of the Auditor General of British Columbia from ministry documents



Under these circumstances, the contract manager must consider all the factors related to the amendment and decide whether or not it would be more appropriate to issue a new contract for the work. We found some cases where it was reasonable to amend the original contract (Exhibit 16) and others where the contract should have been re-tendered (Exhibit 17).

Exhibit 16

Example of when a contract was amended to complete additional but related work

The Ministry of Health engaged a consultant, through an open and competitive process, to review one of the ministry programs and provide recommendations on the strategic policy direction and high-level business plan. The consultant completed the assignment and recommended, among other things, that the ministry conduct a strategic planning session with its stakeholders. The ministry amended the contract to allow the consultant to facilitate and document this planning. To ensure that an amendment was appropriate, the contract manager asked the Purchasing Commission for an opinion.

In our view, this is a good example of where an expansion of scope was reasonable. As well, we support the cautionary approach taken by the ministry in asking the Purchasing Commission before the contract amendment went ahead.

Source: Compiled by the Office of the Auditor General of British Columbia from Ministry of Health documents

Exhibit 17

Example of when a ministry should have considered re-tendering the contract

The Ministry of Employment and Investment wanted to find parties interested in operating additional destination and charitable bingo and casino facilities in the province. It decided to engage, through a competition, a consulting firm to assist the ministry in developing a Request for Proposal and to carry out a business analysis on the proposals received. The contract for this planning and analysis assistance was advertised to a select group of bidders and two firms responded. The consulting firm that won the contract later withdrew its services and the second firm was engaged to complete the work.

The original contract was for \$95,000. It was subsequently amended to \$700,000 and then to \$800,000 because the amount of work required to satisfy the contract was much greater than anticipated. The ministry did not accurately estimate the number of proposals for bingo and casino facilities it would receive or the amount of effort that was needed to review them. We think the size of the amendment is not reasonable. The ministry should have re-tendered once it discovered the true scope of the contract. It should also have considered separating the contract into two distinct contracts: one for the development of the Request for Proposal and one for the business analysis.

Source: Compiled by the Office of the Auditor General of British Columbia from Ministry of Employment and Investment documents

Under these circumstances, the contract manager must consider all the factors related to the amendment and decide whether or not it would be more appropriate to issue a new contract for the work. We found some cases where it was reasonable to amend the original contract (Exhibit 16) and others where the contract should have been re-tendered (Exhibit 17).

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Source: Compiled by the Office of the Auditor General of British Columbia from Ministry of Employment and Investment documents

We found 21 of the 37 management consulting contracts reviewed were either not signed and/or not approved until after the services of the consultants had begun—a practice that increases the risk of government paying for services it does not want or need. All of the 11 management consulting contracts we reviewed at the Ministry of Employment and Investment were authorized after the services began—and in fact two of these were approved *after* the consultant completed the work. Only in the Ministry of Forests did we not find any contracts when services had started before the contract was fully authorized.

Recommendations

8. *Ministries should ensure their management consulting contracts contain clear terms and conditions, including statements of deliverables and work, and applicable performance standards.*
9. *Ministries should ensure contract amendments are in the best interest of the government and are not a result of poor planning or an attempt to avoid competitively awarding contracts.*
10. *Ministries should ensure services under a contract do not begin until all required approvals are obtained and the contract is finalized.*

Managing the management consulting contract so that the deliverables are provided on time and to the satisfaction of the ministry

The fourth phase in the contracting process involves managing the contract so that deliverables are provided to the satisfaction of the ministry. We expected management to monitor a consultant's performance during an engagement, and to pay only for services that met the requirements of the contract.

We discovered the majority of management consulting contract deliverables (83% of our sample) were provided to the satisfaction of the ministries (Exhibit 18). In most cases, the consultants provided the deliverables exactly as described in the terms of reference. In eight cases, the ministries were satisfied with the deliverables, although those deliverables varied slightly from what was described in the contract. The reason for the variation was usually that the ministry decided a particular deliverable was no longer needed or applicable. The Ministry of Health contract described in Exhibit 14, for example, is just such a situation.

The ministries were not completely satisfied with the deliverables in six cases we reviewed. In two of these, the ministries were eventually satisfied, but only after substantial efforts were applied to manage the consultants. In the other four cases, the ministries judged some or all of the deliverables to be simply unacceptable and all of these resulted in the costs of the work outweighing the benefits (Exhibits 11, 12, and 13).

Carefully considering the advice or information provided by the consultant and acting on this advice or using the information

To ensure value for money is received, management must assess and then use the information or implement the recommendations provided by the consultant. We expected management to have carefully assessed the information and/or recommendations to determine what to accept or reject, and we expected management to have a reasonable rationale for rejections. We also expected management to then make use of the accepted information and recommendations in a timely manner. In cases where only information was provided, we looked to see whether the accepted information was used to support subsequent decision-making. When recommendations were provided, we looked to see whether management had implemented, or was in the process of implementing, all accepted recommendations.

Exhibit 18

Status of deliverables for the management consulting engagements we examined

Status of Deliverables	Number of Contracts	As a Percentage (%)
Ministry satisfied with deliverables		
■ Deliverables provided and to complete satisfaction	23	62
■ Some deliverables missing, but ministry still satisfied	8	22
Sub-total	31	84%
Ministry not satisfied with deliverables		
■ Some deliverables missing and ministry not satisfied	1	3
■ Deliverables provided late	1	3
■ Deliverables unacceptable	4	11
Sub-total	6	16% ^a
Total	37	100%
^a Percentages do not add due to rounding.		

Source: Compiled by the Office of the Auditor General of British Columbia

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■ Deliverables unacceptable	4	11
Sub-total	6	16%*
Total	37	100%
* Percentages do not add due to rounding.		

Source: Compiled by the Office of the Auditor General of British Columbia

Assessing the advice or information

For the consulting engagements we reviewed, we found management usually assessed the information and/or the recommendations provided by the consultants. We had expected to see action plans or other documentary evidence indicating that management had examined the consultant's report in each case and determined what specific points to act on. Instead, we found only three action plans for all contracts reviewed: one at the Ministry for Children and Families and two at the Ministry of Forests.

We found, in most of the management consulting contracts we reviewed, management accepted the majority of the information and recommendations provided to it by its consultants. We observed that management commonly rejected at least some of the consultants' recommendations for reasonable justifications, such as insufficient resources or a belief that the recommendations were simply impractical.

However, the ministries rejected all the information or the majority of the recommendations in five cases—three in the Ministry for Children and Families and two in the Ministry of Health. Three of these cases have been previously discussed (Exhibits 11, 12 and 13).

In the other two cases, the Ministry of Health and the Ministry for Children and Families each chose to develop a separate report that contained some but not all of the information provided in the consultant report. In both situations, the ministry versions conveyed a more positive impression than the consultant's report did. These types of ministry-written overview reports concern us because it is not clear whether information is being withheld after a careful consideration of the consultant's report or simply to protect the reputation of the program. We are also concerned that important recommendations or information could be lost as a result.

Using the information and implementing the recommendations

We found, for the majority of the management consulting contracts we examined, management has begun to implement—or has fully implemented—most of the consultant recommendations that it accepted. However, without an action plan to guide this process, it was unclear in some cases whether the recommendations not implemented had been rejected or simply forgotten.

Recommendation

- 11. Ministries should create and monitor action plans for implementing the management consultant recommendations they have accepted.**

Assessing the results

The final phase in the consulting contract process is that of assessing the results of the project. We looked to see whether management had evaluated the results of their consulting projects. Without such an evaluation, it is impossible to determine the value of the project or to draw any lessons for future engagements. We expected management to have evaluated the results of at least its *significant* consulting projects. For the purposes of this audit, we determined that projects with a value of greater than \$100,000 could be considered significant. We chose this threshold because government policy and national trade agreements require more scrutiny for service contracts greater than that amount.

Our sample contained seven management consulting contracts that were greater than \$100,000. We found that for only one of these had an attempt been made by the ministry to assess the benefits and costs of the work. Another consulting project for \$93,000 was also assessed. Exhibit 10 contains a case study of these two related projects.

Recommendation

- 12. Ministries should complete an evaluation of the results of each significant consulting engagement once it is completed.**



ministry of finance and corporate relations response

We are pleased with the overall conclusion in the report by the Auditor General entitled, Management Consulting Engagements in Government, that ministries received value for money from the majority of their management consulting contracts. We acknowledge, however, the finding that the majority of ministries reviewed need to improve the awarding of management consulting contracts in a fair and open manner.

In our view the Auditor General's report provides support for contract management practices that are currently working well and appreciate the suggestions to ministries and central agencies for improvement. The Ministry would like to respond to the following specific areas:

Achieving fairness and efficiency in awarding contracts

"Government should review the \$25,000 threshold and the rules surrounding the exceptions to competitive awarding, to assess whether they lead to best value and represent a reasonable balance between administrative efficiency and fairness."

The Ministry of Finance and Corporate Relations supports this recommendation and is committed to undertaking a review. The process will include an assessment of the threshold, consideration of the exceptions, and whether current policy is appropriate in view of increased management and administration to competitively award contracts. Representatives from Treasury Board Staff, Office of the Comptroller General, Purchasing Commission, and line ministries will be involved.

Last year, General Management Operating Policy (6.3.5.5) was revised for direct award contracts. Ministries now face additional approval requirements by Purchasing Commission and Treasury Board for any expected direct award contract greater than \$100,000. However, it is recognized that such input controls need to be balanced with the need to promote management accountability for prudent financial management and program outcomes.

"Government should ensure that a number of direct award contracts are randomly audited each year, to check that these contracts are being awarded according to government policy."

The Office of the Comptroller General, on behalf of the Ministry of Finance and Corporate Relations, is committed to a review of direct awards across ministries. Internal Audit Branch will include an audit program for direct awarded contracts when developing three to five year audit plans. The risks in this area will be evaluated relative to the risks of other audit areas, and this will establish the frequency of the reviews.

Reporting on the contracts

"Government should annually report all service contracts for amounts greater than the competitive award threshold, including information about the purpose of the contract, the contractor name, the size of the contract and the awarding method."

Total payments to vendors over \$25,000 are currently reported in the Public Accounts. This disclosure could include several contracts with a number of ministries or payments for contracts less than that amount. Government does not currently capture detailed contract information, such as the award method, purpose of the contract, the contractor name, or the size of the contract in the Corporate Accounting System. This would require a contract management information system. In addition, there are privacy and confidentiality concerns, such as release of the purpose of a contract or amount, which need to be addressed.

The Office of the Comptroller General will review requirements for this suggestion, including the related issues, whether there is public demand for additional information, and the overall cost/benefit of such an approach. The review will include representatives from Treasury Board Staff, Purchasing Commission, and line ministries.

Demonstrating value for money

"Ministries should ensure they adequately assess and document the need for a consulting project before seeking to engage a consultant. For significant projects, this assessment should include a more rigorous analysis and documentation of the costs and benefits."

Current policy, General Management Operating Policy (6.2), requires ministries to first establish whether projects are worth undertaking. This involves identification of a project's objectives, costs and benefits, and alternative approaches. After this is determined, a ministry may acquire services from a consultant where:

- greater value for money is obtainable than using in-house resources; or

- specialized knowledge or techniques are required that are not available or not cost-effective to provide internally; or
- the consultant's objectivity is a paramount requirement.

For every consulting engagement, ministries are required to support their reasons why services were not provided by internal means. The level of documentation and effort for any such cost benefit analysis should be commensurate with the size of the expected contract. For example, proposed service contracts exceeding \$25,000, \$50,000 or higher are expected to have incremental levels of analysis and approval. It may not be necessary to have the same justification and documentation for smaller contracts.



ministry of advanced education, training and technology response

The Ministry of Advanced Education, Training and Technology is pleased to respond to the Auditor General's report on Management Consulting Engagements in Government. We are in general agreement with the findings and recommendations. Management consulting contracts account for a small percentage of the total amount paid under service contracts and contribution agreements in government (less than 3% of the contracts in the last three years in this Ministry). Some of the findings are not representative of the Ministry's contracting practices in general, while others extend well to this broader base and will be helpful in these areas as well as management consulting contracts.

Recommendations for Ministries:

The Ministry's Financial Management Policies and Procedures Manual contains an extensive chapter on contracting. We believe that both the manual and our in-house training address your specific references to our Ministry and your general recommendations. We are aware of the need for improved compliance in some areas.

The Ministry's Contract Services Advisor, in the Finance and Administrative Services Branch, provides help and advice to contract managers during all phases of the contracting process. This includes providing assistance with the solicitation documents, reviewing draft contracts to ensure that they contain clear terms and conditions, and assisting the contract manager in the infrequent event that a contract must be terminated. The position is responsible for the Ministry's contracting policies and procedures manual and has taken the lead in developing and delivering a one-day Contract Management Workshop for contract managers that provides an overview of Ministry and government policies for contracts. The workshop was first offered in December 1999, and has since been delivered 18 times, to 185 staff in the three Ministries served by the Finance and Administrative Services Branch. The Ministry intends to continue offering this workshop on a monthly basis as long as there is demand. During training we will place additional emphasis on the areas you have identified as requiring attention.

All contracts in the Ministry must have a contract approval sheet and checklist attached. As part of its annual review of administrative forms, the Ministry will ensure that, as recommended for direct awards, they require a narrative explanation of the rationale for the award method in addition to checking the relevant box.

Recommendations for Government:

We agree with the recommendations relating to the review of the \$25,000 threshold and a random audit of directly awarded contracts. However, we question the added value of providing detailed information about specific contracts in the Public Accounts. Information about amounts paid to suppliers is already available and further details about individual suppliers can be obtained from the responsible Ministry if desired.



ministry for children and families response

The Ministry for Children and Families agrees with the findings, conclusions and recommendations of the Management Consulting Engagements in Government study. During the past year, the ministry has implemented a number of changes to the contract management function including:

- *contract pre-approval checklist to confirm compliance with policy;*
- *developed a contract management workshop to be delivered to all staff involved in the contract life cycle;*
- *developed a database of all management contracts to report on policy compliance; and,*
- *all management contracts are reviewed by the Executive Financial Officer and approved by the Deputy Minister*

The ministry has committed to implement the Office of the Auditor General recommendations as they relate to our ministry. The ministry action plan for implementing the recommendations is as follows:

1. *The ministry has already implemented a contract pre-approval checklist form for all contracts, which requires spending authorities to confirm government policies have been complied with and identifying all exceptions. In addition, the ministry will be conducting contract management workshops to ensure staff is aware of contract management policies.*
2. *The ministry is requiring the use of bidders' lists established through openly advertised means.*
3. *Ministry staff will be advised to adhere to the government record management policies and procedures to ensure all relevant contract documentation is maintained.*
4. *The ministry supports the review of government rules surrounding the exceptions to competitive tendering from \$25,000 to \$50,000.*
5. *The ministry recommends this amount as being a reasonable balance between administrative efficiency and fairness.*
6. *The ministry supports the recommendation that government review a random audit of a number of direct award contracts of ministries each year to ensure that awards are in compliance with government policy.*
7. *The ministry has recommended to the Purchasing Commission and Office of the Comptroller General that all significant service contracts be posted on the Internet each year.*

8. All ministry staff have been advised to assess and document the need for a consulting project before engaging a consultant.
9. The ministry will be conducting contract management workshops to train staff on how to craft contracts to contain clear terms that include performance standards in the form of specific outputs and outcomes.
10. All contracts that require amendment must be approved via the ministry contract pre-approval form.
11. The ministry will be conducting contract management workshops to train staff to ensure that services do not begin until all required approvals are obtained and the contract is finalized.
12. The Program and Management Audit branch of the ministry will be responsible to follow up and ensure that management consultant recommendations have been accepted and plan for implementation.
13. The ministry has developed and implemented a Contract Evaluation Checklist to ensure that all contracts have been appraised as to performance and value for money. In addition, all significant contracts will require a cost and benefit or similar type of analysis once they are completed.



ministry of employment and investment response

The Ministry of Employment and Investment have the following comments with respect to the audit of Management Consulting Engagements in Government by the Office of the Auditor General. We agree with the recommendations presented in the report except for the following:

4. \$25,000 threshold. We believe the threshold as it currently exists is reasonable. We encourage contract managers to obtain contracted resources in a competitive manner wherever possible.

The Ministry has recently updated its Contract Administration Manual and has incorporated changes to the contract approval form as suggested in the report.



ministry of forests response

General Response:

The Ministry of Forests is in complete agreement with the Office of the Auditor General's views on the importance of obtaining value for money from government management consulting engagements. Ministry of Forests staff are strongly committed to this objective and will be vigilant in obtaining value from all of our consulting initiatives.

The ministry is of the view, however, that additional controls or process around the awarding of relatively small contracts may prove to be costly and, in final analysis, detrimental to effectiveness. Governments across the western world are moving towards management structures that place a far greater weight on accountability from public agencies for achieving results rather than relying on centralized control of inputs as a primary management tool. Relying on accountability in the context of management consulting engagements would see senior managers require specific corrective actions to be taken by contract officers when government policies are disregarded or value for money is clearly not obtained from a consulting engagement.

The process of awarding management consulting contracts

- 1. Ministries should ensure staff are aware of, and follow, government policy for awarding service contracts. This could be done by ensuring staff are aware of the expert assistance, information sources and training opportunities available to them and through the use of a contract information sheet when documenting the awarding of a contract. This sheet should include a checklist composed of all government policy relating to (1) the exceptions to competitive awarding and (2) the notice of intent requirements, and should require the contract manager to describe how the chosen criterion has been met.*

The Ministry of Forests has developed an extensive contract management manual that is available on-line to all ministry staff. This manual in conjunction with central agency manuals and ministry policy provides staff with guidance in regards to all phases of contract management.

Ministry contract management experts are available to assist with specific contracting questions as well as interpreting central agency and ministry policy and procedures. These staff also maintain a corporate electronic bulletin board system to ensure staff involved in contracting are advised of the latest contracting information.

Training opportunities for contract staff are identified in the ministry training catalogue which is also available on-line to all ministry staff. Ministry-specific contract management training courses have been developed in conjunction with training agencies.

2. **Ministries should encourage the use of bidders' lists that are established through an openly advertised means.**

Agree. Ministry procedures outline when bidders lists are required. In those instances, advertising an opportunity to be included on a bidders list is done on the ministry's internet contract advertising system.

3. **Ministries should establish adequate systems for ensuring that relevant contract documentation is maintained.**

Agree. The requirement for maintaining ministry documentation is clearly outlined in the ministry contract management manual and the government records management system.

Demonstrating value for money

7. **Ministries should ensure they adequately assess and document the need for a consulting project before seeking to engage a consultant. For significant projects, this assessment should include a more rigorous analysis and documentation of the costs and benefits.**

Agree, that the need to engage a consultant should be thoroughly assessed. Ministry managers are expected to use sound professional judgement when engaging consultants. Reasons for the engagement vary widely, but include obtaining objective expert advice and undertaking work that ministry managers are not able to complete in the desired timeframe. An overriding principle is that the consulting work will be completed at a reasonable cost to the taxpayer.

The ministry will review its current contract documentation to ensure that the level of analysis strikes an appropriate balance between the cost of developing an assessment and the likely benefit in terms of improving value for money ultimately obtained from a contract.

Establishing, amending and approving contract terms and conditions

8. **Ministries should ensure their management consulting contracts contain clear terms and conditions, including statements of deliverables and work, and applicable performance standards.**

Agree. The ministry uses consulting and general services contracts which contain schedules that require the terms and

conditions, deliverables and work and applicable performance standards to be clearly defined.

9. **Ministries should ensure contract amendments are in the best interest of the government and are not a result of poor planning or an attempt to avoid competitively awarding contracts.**

Agree. Ministry policy and contract management manual provides clear guidance on contract planning and identifies when contract amendments are appropriate.

10. **Ministries should ensure services under a contract do not begin until all required approvals are obtained and the contract is finalized.**

Agree. Government and ministry policy requires that all contracts must be in writing and signed and delivered by all parties prior to the commencement of service (or in the case of an emergency, as soon as possible thereafter).

Monitoring contract deliverables and the effectiveness of results

11. **Ministries should create and monitor action plans for implementing the management consultant recommendations they have accepted.**

Agree. The ministry contract management manual will be revised to require contract officers to create and monitor action plans for implementing management consultant recommendations they have reviewed and accepted where the significance of the issues involved warrants it.

12. **Ministries should complete an evaluation of the results of each significant consulting engagement once it is completed.**

1. Evaluation of the results of contracts occurs during the action planning process. This requires judgement by management as to the validity of the contractor's findings and/or recommendations. Managers should be held accountable for their judgement in this regard.
2. Ministry policy requires spending authorities to complete post-completion evaluations for all contracts over \$50,000 to provide a record of the contractor's performance.



ministry of health and ministry responsible for seniors response

The process of awarding management consulting contracts

1. *Ministries should ensure staff are aware of, and follow, government policy for awarding service contracts. This could be done by ensuring staff are aware of the expert assistance, information sources and training opportunities available to them and through the use of a contract information sheet when documenting the awarding of a contract. This sheet should include a checklist composed of all government policy relating to (1) the exceptions to competitive awarding and (2) the notice of intent requirements, and should require the contract manager to describe how the chosen criterion has been met.*

The Ministry will implement as follows:

- *A distribution list has been created to advise contract managers on policy changes, current issues and to share best practices in contract management, including suggestions for improved control.*
 - *The contract information slip that the ministry currently uses to document the method of tendering will be amended to include more detailed information.*
2. *Ministries should encourage the use of bidders' lists that are established through an openly advertised means.*

The Ministry has determined that bidders lists are administratively intensive to maintain, requiring ongoing updates for contact information. A more practical solution will be implemented. Ministry policy will be changed to require the use of an Invitation to Quote and BC Bid process for advertising and posting its management consulting contracts.

3. *Ministries should establish adequate systems for ensuring that relevant contract documentation is maintained.*

Updated ministry policy will require documents related to the contract management process to be held centrally. Specifically, related to the bid evaluation, the successful proposal and Invitation to Quote or Notice of Intent.

Achieving fairness and efficiency in awarding contracts

4. *Government should review the \$25,000 threshold and the rules surrounding the exceptions to competitive awarding, to assess whether they lead to best value and represent a reasonable balance between administrative efficiency and fairness.*

Review by Ministry of Finance and Corporate Relations and discussion by cross-ministry working group is required. The Ministry encourages program areas to use public tendering for all projects where possible.

5. *Government should ensure that a number of direct award contracts are randomly audited each year, to check that these contracts are being awarded according to government policy.*

The Ministry supports audits from central agencies to ensure ongoing compliance with policy.

Reporting on the contracts

6. *Government should annually report all service contracts for amounts greater than the competitive award threshold, including information about the purpose of the contract, the contractor name, the size of the contract and the awarding method.*

This is an issue for central agencies to decide on in consultation with ministries. From the Ministry's point of view this would be easy to accommodate within the current contract management system.

Demonstrating value for money

7. *Ministries should ensure they adequately assess and document the need for a consulting project before seeking to engage a consultant. For significant projects, this assessment should include a more rigorous analysis and documentation of the costs and benefits.*

The Ministry will continue to document the need for using a consultant for all contracts. For those significant management consulting contracts (over \$50,000), policy will be modified requiring a business case accompany the contract prior to approval.

Establishing, amending and approving contract terms and conditions

8. **Ministries should ensure their management consulting contracts contain clear terms and conditions, including statements of deliverables and work, and applicable performance standards.**

The Ministry will ensure schedules to contracts are written in a more concrete fashion prior to granting approval through its financial services area.

9. **Ministries should ensure contract amendments are in the best interest of the government and are not a result of poor planning or an attempt to avoid competitively awarding contracts.**

Contracts will be monitored prior to approval for strong justification of extensions or amendments.

10. **Ministries should ensure services under a contract do not begin until all required approvals are obtained and the contract is finalized.**

The Ministry has always taken this position and this will need to be reinforced with program areas, especially areas where new program managers have been hired.

Monitoring contract deliverables and the effectiveness of results

11. **Ministries should create and monitor action plans for implementing the management consultant recommendations they have accepted.**

Program areas will be reminded of their responsibility for tracking the implementation status of management consulting report recommendations.

12. **Ministries should complete an evaluation of the results of each significant consulting engagement once it is completed.**

Contract Management will revise the post evaluation report to require completion of a cost benefit analysis.



appendices





appendix a

Management Consulting Contracts Reviewed in this Audit

Purpose of Management Consulting Contracts	Dollar Size	Award Method
Ministry of Health		
Review of one of the ministry's programs	\$45,000	Direct
Evaluation of the Reference Drug Program medication policies	\$30,000 each (3 contracts)	Direct
Drafting of a Cabinet submission for regulating the counseling profession	\$38,000	Direct
Review of Management Services Branch	\$24,000 (originally \$35,000 but not all used)	Direct
Review and integration of Regional Programs	\$80,800	Direct
Review of the Prince George Regional Hospital	\$96,000	Competitive
Review of the BC Ambulance Service and recommendations strategic direction	\$61,550	Competitive
Ministry of Forests		
Forest sector continuous improvement project	\$360,000	Competitive
Standing timber inventory business improvement project	\$40,000	Direct
Aboriginal issues training	\$58,000	Competitive
Riparian restoration situation analysis	\$40,000	Competitive
Needs assessment and evaluation for the Enhanced Forestry Training Program	\$49,625	Competitive
Ministry of Employment and Investment		
Analysis of the 1997 salmon fishing season	\$145,000	Direct
Review of regulatory processes for the oil and gas industry	\$75,000	Direct
Strategic analysis of B.C.'s horse racing sector	\$48,800	Competitive
Financial analysis and assessment for Western Star Trucks Holdings Ltd.	\$225,000	Direct
Identification of regulatory reforms required to assure future viability of Canada's airline industry	\$50,000	Direct
Review of prior studies performed by Skeena Cellulose Inc. and the Royal and Toronto Dominion banks	\$60,000	Direct
Financial and economic impact analysis of the Province's participation in the proposed restructuring plans for Skeena Cellulose Inc.	\$49,910	Direct

continued

Purpose of Management Consulting Contracts	Dollar Size	Award Method
Assistance in developing RFPs for bingo and casino facilities and carrying out business analysis on proposals received	\$800,000	Competitive
Report for the ministry outlining B.C.'s locational advantages for a new project Nike had planned, and report for the ministry outlining B.C. tax data and the Nike corporate strategy.	\$497,000	Direct
Comprehensive review of the horse racing industry, including an economic impact analysis	\$85,000	Competitive
Complete comprehensive bingo sector analysis	\$95,000	Competitive
Ministry of Advanced Education, Training and Technology		
Review of programs at B.C. colleges, including a review of the financial systems and accounting practices	\$35,500	Direct
Provision of planning and management support to the ministry	\$49,900	Direct
Qualitative and quantitative research of needs, expectations, values and attitudes of British Columbians regarding post-secondary education	\$55,590	Competitive
Review and recommendations of an Memorandum of Understanding in the ministry	\$50,000	Direct
Completion of research to assist the Province in developing a vision for post-secondary institutions	\$26,000	Direct
Ministry for Children and Families		
Analysis of the current status of wait lists in the province, and recommendations for improvement to the policies and procedures	\$37,959	Competitive
Detailed assessment of consultative structures in the ministry, and recommendations for improvement	\$72,480	Direct
Review of one of the ministry's programs, and recommendations for improvement	\$33,000	Direct
Identification and analysis of issues concerning a ministry model	\$43,999	Direct
Review of the Deaf Mental Health services funded through the government, and recommendations for improvement	\$28,371	Competitive
Assistance to the ministry in evaluating its Building Blocks strategy	\$150,000	Competitive
Assessment of how one of the ministry's programs will affect agreements already in place	\$54,475	Competitive
Development of a workload measurement tool to measure and predict the number of social work staff required to carry out the child protection function in the province	\$104,500	Direct
Review of the Contract and Program Restructuring initiative, and recommendations for improvement to the Deputy Minister	\$81,908	Direct



appendix b

Office of the Auditor General: 2000/01 Reports Issued to Date

Report 1

Fostering A Safe Environment: How the British
Columbia School System is Doing

Report 2

Report on the Implementation of the Recommendations
of the Budget Process Review Panel

Report 3

Follow-up of Performance and Compliance Reports

Report 4

Management Consulting Engagements in Government



appendix c

Office of the Auditor General: Performance Auditing Objectives and Methodology

Audit work performed by the Office of the Auditor General falls into three broad categories:

- Financial auditing;
- Performance auditing; and
- Conduct of business auditing.

Each of these categories has certain objectives that are expected to be achieved, and each employs a particular methodology to reach those objectives. The following is a brief outline of the objectives and methodology applied by the Office for performance auditing.

Performance Auditing

What are Performance Audits?

Performance audits (also known as value-for-money audits) examine whether money is being spent wisely by government—whether value is received for the money spent. Specifically, they look at the organizational and program elements of government performance, whether government is achieving something that needs doing at a reasonable cost, and consider whether government managers are:

- making the best use of public funds; and
- adequately accounting for the prudent and effective management of the resources entrusted to them.

The aim of these audits is to provide the Legislature with independent assessments about whether government programs are implemented and administered economically, efficiently and effectively, and whether Members of the Legislative Assembly and the public are being provided with fair, reliable accountability information with respect to organizational and program performance.

In completing these audits, we collect and analyze information about how resources are managed; that is, how they are acquired and how they are used. We also assess whether legislators and the public have been given an adequate explanation of what has been accomplished with the resources provided to government managers.

Focus of Our Work

A performance audit has been described as:

...the independent, objective assessment of the fairness of management's representations on organizational and program performance, or the assessment of management performance,

against criteria, reported to a governing body or others with similar responsibilities.

This definition recognizes that there are two forms of reporting used in performance auditing. The first—referred to as attestation reporting—is the provision of audit opinions as to the fairness of management's publicly reported accountability information on matters of economy, efficiency and effectiveness. This approach has been used to a very limited degree in British Columbia because the organizations we audit do not yet provide comprehensive accountability reports on their organizational and program performance.

We believe that government reporting along with independent audit is the best way of meeting accountability responsibilities. Consequently, we have been encouraging the use of this model in the British Columbia public sector, and will apply it where comprehensive accountability information on performance is made available by management.

As the performance audits conducted in British Columbia use the second form of reporting—direct reporting—the description that follows explains that model.

Our "direct reporting" performance audits are not designed to question whether government policies are appropriate and effective (that is achieve their intended outcomes). Rather, as directed by the Auditor General Act, these audits assess whether the programs implemented to achieve government policies are being administered economically and efficiently. They also evaluate whether Members of the Legislative Assembly and the public are being provided with appropriate accountability information about government programs.

When undertaking performance audits, we look for information about results to determine whether government organizations and programs actually provide value for money. If they do not, or if we are unable to assess results directly, we then examine management's processes to determine what problems exist or whether the processes are capable of ensuring that value is received for money spent.

Selecting Audits

All of government, including Crown corporations and other government organizations, are included in the universe we consider when selecting audits. We also may undertake reviews of provincial participation in organizations outside of government if they carry on significant government programs and receive substantial provincial funding.

When selecting the audit subjects we will examine, we base our decision on the significance and interest of an area or topic to our primary clients, the Members of the Legislative Assembly and the public. We consider both the significance and risk in

our evaluation. We aim to provide fair, independent assessments of the quality of government administration and to identify opportunities to improve the performance of government. Therefore, we do not focus exclusively on areas of high risk or known problems.

We select for audit either programs or functions administered by a specific ministry or government organization, or cross-government programs or functions that apply to many government entities. A large number of such programs and functions exist throughout government. We examine the larger and more significant of these on a cyclical basis.

Our view is that, in the absence of comprehensive accountability information being made available by government, performance audits using the direct reporting approach should be undertaken on a five- to six- year cycle so that Members of the Legislative Assembly and the public receive assessments of all significant government operations over a reasonable time period. We strive to achieve this schedule, but it is affected by the availability of time and resources.

Planning and Conducting Audits

A performance audit comprises four phases of a performance audit—preliminary study, planning, conducting and reporting. The core values of the Office—*independence, due care and public trust*—are inherent in all aspects of the audit work.

Preliminary Study

Before an audit starts, we undertake a preliminary study to identify issues and gather sufficient information to decide whether an audit is warranted.

At this time, we also determine the audit team. The audit team must be made up of individuals who have the knowledge and competence necessary to carry out the particular audit. In most cases, we use our own professionals, who have training and experience in a variety of fields. As well, we often supplement the knowledge and competence of our staff by engaging one or more consultants to be part of the audit team.

In examining a particular aspect of an organization to audit, auditors can look either at results, to assess whether value for money is actually achieved, or at management's processes, to determine whether those processes should ensure that value is received for money spent. Neither approach alone can answer all the questions of legislators and the public, particularly if problems are found during the audit. We therefore try to combine both approaches wherever we can. However, because acceptable results-oriented information and criteria are often not available, our performance audits frequently concentrate on management's processes for achieving value for money.

If a preliminary study does not lead to an audit, the results of the study may still be reported to the Legislature.

Planning

In the planning phase, the key tasks are to develop audit criteria—"standards of performance"—and an audit plan outlining how the audit team will obtain the information necessary to assess the organization's performance against the criteria. In establishing the criteria, we do not expect theoretical perfection from public sector managers; rather, we reflect what we believe to be the reasonable expectations of legislators and the public.

Conducting

The conducting phase of the audit involves gathering, analyzing and synthesizing information to assess the organization's performance against the audit criteria. We use a variety of techniques to obtain such information, including surveys, and questionnaires, interviews and document reviews.

Reporting Audits

We discuss the draft report with the organization's representatives and consider their comments before the report is formally issued to the Legislative Assembly. In writing the audit report, we ensure that recommendations are significant, practical and specific, but not so specific as to infringe on management's responsibility for managing. The final report is tabled in the Legislative Assembly and referred to the Public Accounts Committee, where it serves as a basis for the Committee's deliberations.

Reports on performance audits are published throughout the year as they are completed, and tabled in the Legislature at the earliest opportunity. We report our audit findings in two parts: a highlights section and a more detailed report. The overall conclusion constitutes the Auditor General's independent assessment of how well the organization has met performance expectations. The more detailed report provides background information and a description of what we found. When appropriate, we also make recommendations as to how the issues identified may be remedied.

It takes time to implement the recommendations that arise from performance audits. Consequently, when management first responds to an audit report, it is often only able to indicate its intention to resolve the matters raised, rather than to describe exactly what it plans to do.

Without further information, however, legislators and the public would not be aware of the nature, extent, and results of management's remedial actions. Therefore, we publish updates of management's responses to the performance audits. In addition, when it is useful to do so, we will conduct follow-up audits. The results of these are also reported to the Legislature.

